

**Sanilac County, Michigan**  
**FINANCIAL STATEMENTS**  
**December 31, 2007**

Sanilac County, Michigan

December 31, 2007

BOARD OF COMMISSIONERS

John Merriman	Chairperson
Donald Hunt	Vice-Chairperson
Gary Russell	Commissioner
James Ruby	Commissioner
Norton Schramm	Commissioner
William Walters	Commissioner
Judy Vincent	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Males	Administrator
Kathy Dorman	Treasurer
Linda Kozfkay	Clerk
Michele VanNorman	Register of Deeds
Jim Bowerman	Drain Commissioner
Jim Young	Prosecuting Attorney
Virgil Strickler	Sheriff

Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanilac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008 on our consideration of Sanilac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Sanilac County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2007. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2007 represents the fourth year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Certain limited financial information is presented with respect to the Sanilac County Road Commission in the Management Discussion and Analysis. The reader should refer to the Road Commission's separately issued financial statements for more detailed information.

### **FINANCIAL HIGHLIGHTS**

#### **Government-wide:**

- Total net assets were \$16,157,723 (excluding component units). Of this amount, \$7,160,856 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. The County's total net assets increased by \$1,213,373 (excluding component units) from the prior year.
- Governmental activities net assets were \$7,982,195, a net increase of \$561,545 from the prior year.
- Business-type activity net assets were \$8,175,528, a net increase of \$651,828 from the prior year.
- Component Unit net assets were \$63,075,376, a net decrease of \$222,526 from the prior year.

#### **Fund Level:**

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$5,547,666, an increase of \$187 in comparison with the prior year. All but \$5,104,493 is reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$89,970 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$1,206,579 less than appropriated.
- Overall, the General Fund balance increased by \$456,715 to \$1,422,635 with \$1,296,518 undesignated or available for general purposes.
- The County Services Reserve Fund is funded from General Fund transfers to provide future funding for unexpected General Fund shortfalls. The County Services Reserve Fund balance increased by \$ 100,000 to \$ 231,828.

#### **Capital and Long-term Debt Activities:**

- The primary government issued \$80,274 in new capital leases for the fiscal year.
- The total long-term debt for the primary government was \$4,191,554 with a net decrease of \$359,528 from the prior year.
- The Board of Public Works issued \$2,872,623 in new long-term bonds.
- The Drainage Districts issued \$263,000 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$21,255,996 with a net addition of \$2,559,905 from the prior year.
- The long-term debt for the Road Commission was \$1,290,591, with a net increase of \$505,996 from the prior year.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$165,704 and included four police vehicles for the Sheriff's department.



## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

### **Government-wide Financial Statements (Reporting the County as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Health Department and Sheriff Department Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Sanilac County Medical Care Facility Fund and the Delinquent Tax Funds are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Four organizations are included as component units: the Sanilac County Board of Public Works, the Sanilac County Road Commission, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types.

## **County of Sanilac**

### **Management's Discussion and Analysis**

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The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

#### **Fund Financial Statements (Reporting the County's Major Funds)**

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Health Department and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include certain special revenue funds (e.g., Central Dispatch), the internal services funds (e.g., Data Processing Fund, Health Insurance Fund) as well as enterprise funds (e.g., Medical Care Facility and Delinquent Tax Funds).

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Sanilac County include the General Fund, the Health Department Fund, the Road Millage Fund, the Revenue Sharing Reserve Fund, the Medical Care Facility Fund, the Delinquent Tax Umbrella Fund, the 2005 Delinquent Tax Fund and the 2006 Delinquent Tax Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

## County of Sanilac

### Management's Discussion and Analysis

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- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Data Processing Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 15 and 16. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 22 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

#### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

### **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As previously stated, Sanilac County's combined net assets were \$16,157,723 at the end of this fiscal year's operations. The net assets of the governmental activities were \$7,982,195; the business type activities were \$8,175,528.

**County of Sanilac**  
**Management's Discussion and Analysis**

**Sanilac County Net Assets FY ended 2006 and ended FY 2007**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current Assets	\$ 12,778,849	\$ 12,989,554	\$ 6,632,380	\$ 6,993,548	\$ 19,411,229	\$ 19,983,102
Noncurrent Assets	<u>5,745,540</u>	<u>6,225,521</u>	<u>1,575,191</u>	<u>1,637,430</u>	<u>7,320,731</u>	<u>7,862,951</u>
<b>Total Assets</b>	<b>\$ 18,524,389</b>	<b>\$ 11,232,880</b>	<b>\$ 8,207,571</b>	<b>\$ 8,207,571</b>	<b>\$ 26,731,960</b>	<b>\$ 27,846,053</b>
Current Liabilities	\$ 6,974,156	\$ 7,179,319	\$ 574,839	\$ 336,220	\$ 7,548,995	\$ 7,515,539
Noncurrent Liabilities	<u>4,129,583</u>	<u>4,053,561</u>	<u>109,032</u>	<u>119,227</u>	<u>4,238,615</u>	<u>4,172,788</u>
<b>Total Liabilities</b>	<b>\$ 11,103,739</b>	<b>\$ 11,232,880</b>	<b>\$ 683,871</b>	<b>\$ 455,447</b>	<b>\$ 11,787,610</b>	<b>\$ 11,688,327</b>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 2,639,426	\$ 3,274,423	\$ 1,542,616	\$ 1,600,066	\$ 4,182,042	\$ 4,874,489
Restricted	4,530,405	4,122,378	-	-	4,530,405	4,122,378
Unrestricted	<u>250,819</u>	<u>585,394</u>	<u>5,981,084</u>	<u>6,575,462</u>	<u>6,231,903</u>	<u>7,160,856</u>
<b>Total Net Assets</b>	<b>\$ 7,420,650</b>	<b>\$ 7,982,195</b>	<b>\$ 7,523,700</b>	<b>\$ 8,175,528</b>	<b>\$ 14,944,350</b>	<b>\$ 16,157,723</b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net assets changed during the fiscal year:

**Sanilac County's Changes in Net Assets for the Fiscal Year Ended December 31, 2006 and 2007**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>						
Charges for Services	\$ 3,759,912	\$ 4,918,401	\$ 8,918,709	\$ 8,734,846	\$ 12,678,621	\$ 13,653,247
Grants and Contributions	3,594,019	4,635,177	-	-	3,594,019	4,635,177
General Revenues						
Property Taxes	11,423,822	10,446,286	-	-	11,423,822	10,446,286
Investment Earnings	306,428	312,252	120,150	151,562	426,578	463,814
Miscellaneous	<u>283,303</u>	<u>252,011</u>	<u>137,153</u>	<u>135,672</u>	<u>420,456</u>	<u>387,683</u>
<b>Total Revenues</b>	<b>19,367,484</b>	<b>20,564,127</b>	<b>9,176,012</b>	<b>9,022,080</b>	<b>28,543,496</b>	<b>29,586,207</b>
<b>Expenses</b>						
Legislative	90,964	94,564	-	-	90,964	94,564
General government	2,028,962	3,762,059	23,204	10,394	2,052,166	3,772,453
Public safety	5,616,552	5,313,320	-	-	5,616,552	5,313,320
Public works	2,637,613	2,698,874	-	-	2,637,613	2,698,874
Health and Welfare	5,353,418	5,470,472	7,969,906	8,247,440	13,323,324	13,717,912
Judicial	1,664,116	1,771,212	-	-	1,664,116	1,771,212
Recreation and cultural	659,710	668,839	-	-	659,710	668,839
Other	338,688	313,384	34,533	22,796	373,221	336,180
Unallocated depreciation	308,391	488,659	-	-	308,391	488,659
Interest on long-term debt	<u>128,821</u>	<u>123,322</u>	<u>-</u>	<u>-</u>	<u>128,821</u>	<u>123,322</u>
<b>Total Expenses</b>	<b>18,827,235</b>	<b>20,704,705</b>	<b>8,027,643</b>	<b>8,280,630</b>	<b>26,854,878</b>	<b>28,985,335</b>
Excess (deficiency)	540,249	(140,578)	1,148,369	741,450	1,688,618	600,872
Transfers	<u>-</u>	<u>130,878</u>	<u>( 155,689 )</u>	<u>( 89,622 )</u>	<u>( 155,689 )</u>	<u>41,256</u>
<b>Increase in Net Assets</b>	<b>540,249</b>	<b>(9,700)</b>	<b>992,680</b>	<b>651,828</b>	<b>1,532,929</b>	<b>642,128</b>
Net Assets - Beginning	6,880,401	7,420,650	6,531,020	7,523,700	13,411,421	14,944,350
Prior Period Adjustments	<u>-</u>	<u>571,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571,245</u>
<b>Net Assets - Ending</b>	<b>\$ 7,420,650</b>	<b>\$ 7,982,195</b>	<b>\$ 7,523,700</b>	<b>\$ 8,175,528</b>	<b>\$ 14,944,350</b>	<b>\$ 16,233,527</b>

## County of Sanilac Management's Discussion and Analysis

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### Governmental Activities:

The result of 2007 governmental activity was an increase of \$561,545 in net assets to \$7,982,195. Of the total governmental activities' net assets, \$3,274,423 is invested in capital assets less related debt, \$4,122,378 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$585,394 is listed as unrestricted, having no legal commitment.

### Revenues:

The three largest revenue categories were property taxes at 51% (decrease of 8% from the prior year), charges for services at 24% (increase of 5% from prior year), and grants and contributions at 23% (increase of 5% from the prior year). The County levied nine property tax millages for the 2006 tax levy which is recognized as revenue in 2007, one being for general government operations at 4.0634 mills, which is not assigned to any particular activity, one for Council on Aging at .1984 mills, one for Ambulance services at .1984 mills, one for roads at 1.9065 mills, one for drug law enforcement at .4847 mills, one for parks at .1938 mills, one for county library services at .1984 mills, one for veterans services at .124 mills, and one Medical Care Facility maintenance of effort for .1984 mills. Grants and contributions are the second largest source of governmental activity revenue. Charges for services, which reimburse the County for specific activities, are the third largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate boarding charges.

### Expenses:

Public Safety is the largest governmental activity, expending \$5.31 million (a decrease of \$303,232 or 5%) and includes offices such as Central Dispatch and Construction and Land Use activities. Health and Welfare is the second largest governmental activity, expending \$5.47 million (an increase of \$117,054 or 2%) of the \$20.56 million governmental activities total. Expenditures in this area include primarily Health Department, Child Care, Veterans, Transportation and Family Independence Agency operations.

### Business-type Activities:

Net assets in business-type activities increased by \$651,828 during 2007. The vast majority of this increase was a result of excess revenues generated in the Delinquent Tax Funds. Of the total business-type activities net assets, \$1,600,066 is invested in capital assets less related debt. The balance of \$6,575,462 of net assets in the business type activities is reported as unrestricted, having no legal commitment. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

## FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2007, its governmental funds reported *combined* fund balances of \$5,547,666. This is a net increase of \$189. The net changes are summarized in the following chart:

	General Fund	Road Millage	Health Department	(Revenue) Sharing Reserve	Other Non-Major Governmental Funds
Fund Balance 12/31/07	\$ 1,422,635	\$ 235,464	\$( 27,450 )	\$ 1,866,007	\$2,051,010
Fund Balance 12/31/06	\$ 965,920	\$ 1,349	\$( 478 )	\$ 2,669,871	\$1,836,435
Net Change	\$ 456,715	\$ 234,115	\$( 26,972 )	\$( 803,864)	\$ 214,575

## **County of Sanilac**

### **Management's Discussion and Analysis**

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The General Fund balance increased by \$456,715; this is partly due to charges for services revenue being greater than prior year. The Health Department Fund balance decreased by \$26,972 mainly due to certain expenditures exceeding budget. The Road Millage Fund increased by \$234,115 due to 07 tax collections exceeding 06 collections by over \$240,000. The Revenue Sharing Reserve Fund decreased by \$803,864 due to not recognizing one third of the County General Fund property tax levy, and transferring out the required amount to the General Fund to substitute for reductions in State Shared revenues. The combined other non-major funds increased by \$214,575 due mainly to excess revenues generated from Friend of the court, Central Dispatch, and Sanilac Transportation Funds.

#### **General Fund:**

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2007, the General Fund reported a fund balance of \$1,422,635. This amount is an increase of \$456,715 from the fund balance of \$965,920 reported as of December 31, 2006. Of the total fund balance, \$126,117 is reserved, designated or earmarked for specific purposes.

The General Fund 2007 revenues exceeded 2007 expenditures by \$2,115,377, however, the General Fund also supports the operations of other funds including the Central Dispatch, Health Department, Child Care, Friend of the Court, Law Library, and the ROD Automation Fund. The General Fund also supports the internal service fund activities with transfers made to the Workers Compensation Fund, Insurance Fund, Employee Health Care Fund, Data Processing Fund, Accumulated Benefits Fund, and Mail Department Fund, and also transfers funds to Building Authority funds for debt service requirements.

#### **General Fund Budgetary Highlights:**

Sanilac County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

The County's General Fund revenue budget was increased by \$31,284 (.3% above the original budget) during 2007. Actual General Fund revenue and other financing sources totaled \$11,090,024, \$89,970 more than the final amended budget.

The County's expenditure budget was increased by \$296,569(2.5% above the original budget) during 2007.

Actual County expenditures for 2007 were \$1,206,579 below budget. This is due to several reasons, for which the most significant are listed below:

- \$225,422 less than budgeted for expenditures related to insurance costs
- \$146,676 less than budgeted for expenditures related to employee health care.
- Many departments' expenditures were under budget due to County cutbacks and general budget tightening.

#### **Road Millage Fund:**

The Road Millage Fund is used to collect a dedicated tax levy for road projects. These funds are then transferred to the Road Commission (Component Unit) to be used for various road projects. As of December 31, 2007, the Road Millage Fund reported a fund balance of \$234,115, an increase of \$232,766 from the prior year.

## County of Sanilac Management's Discussion and Analysis

### Health Department Fund:

The Health Department Fund is used to report activities related to the various personal and environmental health services provided to County residents. Revenue is generated by Federal and State grant programs, charges for services, other local revenues and transfers from the General Fund. As of September 30, 2007, the Health Department Fund reported a fund deficit of \$27,450, which is a decrease to fund balance of \$26,972 from the prior year. Of the total fund deficit, \$2,446 is reserved for prepaid expenditures and \$2,446 is designated for specific purposes, which leaves an undesignated/unreserved deficit of \$(29,896).

### Revenue Sharing Reserve Fund

The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Revenue is generated from County General Fund property taxes. As of December 31, 2007, the Revenue Sharing Reserve Fund reported a fund balance of \$1,866,007. The total fund balance is considered to be undesignated /unreserved.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2007, the County primary government had invested \$7,125,635, and \$13,142,078 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$8,926,297 for the primary government, and \$11,866,656 for the component units. Depreciation charges for the fiscal year totaled \$627,493 for the primary government and \$3,399,135 for the component units.

	<u>Governmental Activities</u>		<u>Component Units Drains</u>		<u>Component Unit Road Commission</u>		<u>Total</u>	
	2006	2007	2006	2007	2006	2007	2006	2007
Land and improvements	\$ 326,813	\$ 326,813	\$ -	\$ -	\$ 66,903	\$ 66,903	\$ 393,716	\$ 393,716
Const. in progress	-	-	-	-	393,228	222,092	393,228	222,092
Buildings	10,759,367	11,043,861	-	-	430,666	495,102	11,190,033	11,538,963
Equipment	3,654,367	3,663,698	-	-	8,125,557	8,061,300	11,779,924	11,724,998
Infra-Bridges/Roads	-	-	-	-	64,961,567	67,475,898	64,961,567	67,475,898
Vehicles	1,035,249	1,017,560	-	-	-	-	1,035,249	1,017,560
Drains	-	-	24,625,234	25,008,734	-	-	24,625,234	25,008,734
Depletable assets	-	-	-	-	55,450	55,450	55,450	55,450
Accumulated depreciation	( 8,610,179 )	( 8,926,297 )	( 11,032,831 )	( 11,866,656 )	( 28,595,970 )	( 30,823,765 )	( 48,238,980 )	( 51,616,718 )
Capital assets, net	<u>\$ 7,165,617</u>	<u>\$ 7,125,635</u>	<u>\$ 13,592,403</u>	<u>\$ 13,142,078</u>	<u>\$ 45,437,401</u>	<u>\$ 45,552,980</u>	<u>\$ 66,195,421</u>	<u>\$ 65,820,693</u>

Long-term Debt - As of December 31, 2007, the County had \$4,419,470 in bonds, notes and other outstanding obligations for the primary government. This level of net obligation is \$131,612 less than the obligation recorded as of December 31, 2006. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Sanilac County. All drain debt is payable out of assessments against the drainage districts, and all Board of Public Works debt is payable from contractual agreements with local units of government.

**County of Sanilac**  
**Management's Discussion and Analysis**

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**Outstanding Debt as of December 31, 2007:**

	<b><u>Restated</u></b> <b><u>Jan. 1, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2007</u></b>
<b>Primary Government</b>				
Governmental Activities				
Bonds Payable	\$ 2,907,593	\$ -	\$ 217,517	\$ 2,690,076
Pension liability	547,132	-	8,791	538,341
Capital leases	129,218	80,274	100,803	108,689
Sheriffs Depart. Equip Loan	44,123	-	14,328	29,795
Accum. Vacation and sick	858,107	79,702	-	937,809
Business-type Activities				
Accum. Vacation and sick	<u>109,032</u>	<u>10,195</u>	<u>-</u>	<u>119,227</u>
<b>Total Primary Government</b>	<b>4,595,205</b>	<b>170,171</b>	<b>341,439</b>	<b>4,423,937</b>
<b>Component Units</b>				
Board of Public Works				
Water System Bonds	15,436,113	2,872,623	585,000	17,723,736
Drainage Districts				
Drain Bonds and Notes	3,259,978	263,000	561,579	2,961,399
Road Commission				
Capital leases	394,037	-	232,412	161,625
Accum. Vacation and sick	390,558	171,445	258,129	303,874
Local Jobs Today Loan	<u>-</u>	<u>825,092</u>	<u>-</u>	<u>825,092</u>
Economic Development Corp.				
<b>Total Component Units</b>	<b><u>19,480,686</u></b>	<b><u>4,132,160</u></b>	<b><u>1,637,120</u></b>	<b><u>21,975,726</u></b>
<b>Total Reporting Entity</b>	<b><u>\$24,075,891</u></b>	<b><u>\$4,302,331</u></b>	<b><u>\$1,978,559</u></b>	<b><u>\$ 26,399,663</u></b>

Activity for the Component Units (Drainage Districts) during 2007 included the issuance of \$263,000 in drainage district bonds and notes used to construct and/or improve various drainage projects.

A more detailed discussion of the County's long-term debt obligations is presented in Note H to the financial statements. The Road Commission's separately issued financial statements include details about their long-term debt.

**SANILAC COUNTY GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has been discontinued and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2008.



**County of Sanilac**  
**Management's Discussion and Analysis**

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**CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Sanilac County Treasurer's Office at (810) 648-2127 or Sanilac County Administration Office at (810) 648-2933.

## **BASIC FINANCIAL STATEMENTS**

## Sanilac County, Michigan

## STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,349,709	\$ 3,821,547	\$ 7,171,256	\$ 4,511,631
Investments	2,556,735	-	2,556,735	-
Receivables	6,854,481	3,134,508	9,988,989	4,410,955
Due from other funds	20,713	-	20,713	-
Due from primary government	-	-	-0-	199,772
Inventories	8,500	9,130	17,630	245,930
Prepaid expenses	199,416	28,363	227,779	35,390
Current portion of lease receivable	-	-	-0-	915,000
Total current assets	12,989,554	6,993,548	19,983,102	10,318,678
Non-current assets				
Restricted cash and cash equivalents	-	37,364	37,364	-
Lease receivable	-	-	-0-	17,379,597
Advance to component unit	122,539	-	122,539	-
Capital assets, net	6,102,982	1,600,066	7,703,048	58,695,058
Total non-current assets	6,225,521	1,637,430	7,862,951	76,074,655
TOTAL ASSETS	19,215,075	8,630,978	27,846,053	86,393,333
LIABILITIES				
Current liabilities				
Accounts payable	429,950	149,352	579,302	375,511
Other accrued liabilities	493,585	145,768	639,353	80,776
Due to other funds	-	3,133	3,133	-
Due to component units	199,771	-	199,771	-
Due to other governmental units	33,000	606	33,606	-
Deferred revenue	5,775,999	37,364	5,813,363	-
Current portion of long-term debt	247,014	-	247,014	-
Total current liabilities	7,179,319	336,223	7,515,542	456,287
Non-current liabilities				
Advances from primary government	-	-	-0-	122,539
Advance from other governments	-	-	-0-	215,919
Advance from other funds	333	-	333	-
Compensated absences	933,342	119,227	1,052,569	303,874
Pension obligation, net	538,341	-	538,341	-
Capital lease payable	108,688	-	108,688	986,717
Non-current portion of long-term debt	2,472,857	-	2,472,857	21,232,621
Total non-current liabilities	4,053,561	119,227	4,172,788	22,861,670
TOTAL LIABILITIES	11,232,880	455,450	11,688,330	23,317,957
NET ASSETS				
Invested in capital assets, net of related debt	3,274,423	1,600,066	4,874,489	54,775,317
Restricted for:				
Capital improvements	9,779	-	9,779	2,294,076
Debt service	46,994	-	46,994	3,841,674
Other purposes	4,065,605	-	4,065,605	2,164,309
Unrestricted	585,394	6,575,462	7,160,856	-
TOTAL NET ASSETS	\$ 7,982,195	\$ 8,175,528	\$ 16,157,723	\$63,075,376

See accompanying notes to financial statements.

## Sanilac County, Michigan

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
Legislative	\$ 94,564	\$ -	\$ -	\$ -	\$ (94,564)	\$ -	\$ (94,564)	\$ -
Judicial	1,771,212	796,777	1,058,012	-	83,577	-	83,577	-
General government	3,762,059	912,791	104,791	-	(2,744,477)	-	(2,744,477)	-
Public safety	5,313,320	2,082,843	546,387	-	(2,684,090)	-	(2,684,090)	-
Public works	2,698,874	168,922	-	-	(2,529,952)	-	(2,529,952)	-
Health and welfare	5,470,472	673,434	2,925,987	-	(1,871,051)	-	(1,871,051)	-
Recreation and cultural	668,839	283,634	-	-	(385,205)	-	(385,205)	-
Other	313,384	-	-	-	(313,384)	-	(313,384)	-
Unallocated depreciation	488,659	-	-	-	(488,659)	-	(488,659)	-
Interest on long-term debt	123,322	-	-	-	(123,322)	-	(123,322)	-
Total governmental activities	20,704,705	4,918,401	4,635,177	-0-	(11,151,127)	-0-	(11,151,127)	-0-
Business-type activities:								
Medical Care Facility	8,247,440	8,060,018	-	-	-	(187,422)	(187,422)	-
Delinquent Tax Umbrella	-	6,167	-	-	-	6,167	6,167	-
Delinquent Tax 2005	424	254,094	-	-	-	253,670	253,670	-
Delinquent Tax 2006	9,970	217,986	-	-	-	208,016	208,016	-
Other	22,796	196,581	-	-	-	173,785	173,785	-
Total business-type activities	8,280,630	8,734,846	-0-	-0-	-0-	454,216	454,216	-0-
Total primary government	\$28,985,335	\$ 13,653,247	\$ 4,635,177	\$ -0-	(11,151,127)	454,216	(10,696,911)	-0-
Component units:								
Drainage Districts	1,195,578	143,553	26,713	-	-	-	-0-	(1,025,312)
Board of Public Works	3,396,881	-	2,872,623	-	-	-	-0-	(524,258)
Road Commission	12,817,912	1,937,404	5,305,661	3,450,258	-	-	-0-	(2,124,589)
Total component units	\$17,410,371	\$ 2,080,957	\$ 8,204,997	\$ 3,450,258	-0-	-0-	-0-	(3,674,159)
General revenues:								
Property taxes					10,446,286	-	10,446,286	2,288,622
Investment earnings					312,252	151,562	463,814	401,074
Gain on equipment disposals					-	-	-	-
Miscellaneous					252,011	135,672	387,683	45,715
Transfers					130,878	(89,622)	41,256	(41,256)
Total general revenues and transfers					11,141,427	197,612	11,339,039	2,694,155
Change in net assets					(9,700)	651,828	642,128	(980,004)
Net assets restated, beginning of the year					7,420,650	7,523,700	14,944,350	63,297,902
Prior period adjustments					571,245	-	-	757,478
Net assets, end of the year					\$ 7,982,195	\$ 8,175,528	\$15,586,478	\$63,075,376

See accompanying notes to financial statements.

## Sanilac County, Michigan

## GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	General	Road Millage	Health Department (FYE 9-30-07)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 251,204	\$ 68,484	\$ (26,835)
Investments	964,006	467,446	-
Accounts receivable	13,447	-	48,203
Taxes receivable - current	780,095	2,718,318	-
Taxes receivable - delinquent	25,418	11,923	-
Loans receivable	-	-	-
Due from other funds	3,465	-	17,186
Due from other governmental units	341,497	-	90,498
Due from other individuals and agencies	-	-	-
Prepayments	3,578	-	2,446
Advance to component unit	122,539	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,505,249</b>	<b>\$ 3,266,171</b>	<b>\$ 131,498</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 168,222	\$ 75,917	\$ 24,831
Accrued payroll	107,043	-	46,974
Other accrued liabilities	142,461	-	87,143
Due to other funds	50,000	-	-
Due to other governmental units	-	-	-
Due to component units	199,771	-	-
Deferred revenue	415,117	2,954,790	-
<b>TOTAL LIABILITIES</b>	<b>1,082,614</b>	<b>3,030,707</b>	<b>158,948</b>
<b>FUND EQUITY</b>			
Fund balance			
Reserved for:			
Inventories and prepaids	3,578	-	2,446
Advances to component units and other funds	122,539	-	-
Debt service	-	-	-
Unreserved			
Designated for specific expenditures	-	-	-
Undesignated, reported in:			
General fund	1,296,518	-	-
Special revenue funds	-	235,464	(29,896)
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,422,635</b>	<b>235,464</b>	<b>(27,450)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,505,249</b>	<b>\$ 3,266,171</b>	<b>\$ 131,498</b>

See accompanying notes to financial statements.

Revenue Sharing Reserve	Other Non-major Governmental Funds	Total Governmental Funds
\$ 740,724	\$ 1,905,799	\$ 2,939,376
1,125,283	-	2,556,735
-	120,302	181,952
-	2,225,532	5,723,945
-	-	37,341
-	124,535	124,535
-	-	20,651
-	300,428	732,423
-	28,912	28,912
-	124,742	130,766
-	-	122,539
<u>\$ 1,866,007</u>	<u>\$ 4,830,250</u>	<u>\$ 12,599,175</u>

\$ -	\$ 100,802	\$ 369,772
-	37,334	191,351
-	72,570	302,174
-	4,907	54,907
-	33,000	33,000
-	-	199,771
-	2,530,627	5,900,534

-0-	2,779,240	7,051,509
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-	124,742	130,766
-	-	122,539
-	46,994	46,994
-	142,874	142,874
-	-	1,296,518
1,866,007	1,726,621	3,798,196
-	9,779	9,779
<u>1,866,007</u>	<u>2,051,010</u>	<u>5,547,666</u>
<u>\$ 1,866,007</u>	<u>\$ 4,830,250</u>	<u>\$ 12,599,175</u>

Sanilac County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2007

**Total fund balance - governmental funds** **\$ 5,547,666**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	11,052,258	
Accumulated depreciation is	<u>(5,526,689)</u>	
Capital assets, net		5,525,569

Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	975,979
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Certain receivables are not susceptible to accrual in the Fund  
Financial Statements due to not having met the criteria to be considered  
available to finance current operations

Loans receivable	124,535
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Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Net pension obligation	(538,341)	
Direct County obligations	(2,719,871)	
Compensated absences	<u>(933,342)</u>	
		<u>(4,191,554)</u>

<b>Net assets of governmental activities</b>	<b><u>\$ 7,982,195</u></b>
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See accompanying notes to financial statements.

Sanilac County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	General	Road Millage	Health Department (FYE 9-30-07)
<b>REVENUES</b>			
Taxes	\$ 5,708,360	\$ 2,606,902	\$ -
Licenses and permits	341,664	-	125,767
Intergovernmental	702,958	-	1,401,062
Charges for services	2,593,157	-	404,825
Fines and forfeits	28,465	-	-
Interest and rents	220,244	60,584	-
Other	342,192	-	60,453
<b>TOTAL REVENUES</b>	<b>9,937,040</b>	<b>2,667,486</b>	<b>1,992,107</b>
<b>EXPENDITURES</b>			
Current			
Legislative	94,564	-	-
General government	2,102,559	-	-
Judicial	1,200,845	-	-
Public safety	3,524,553	-	-
Public works	209,252	2,433,373	-
Health and welfare	376,506	-	2,173,295
Recreation and culture	-	-	-
Other	313,384	-	-
Capital outlay	-	-	16,624
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>7,821,663</b>	<b>2,433,373</b>	<b>2,189,919</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,115,377</b>	<b>234,113</b>	<b>(197,812)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	1,111,728	-	176,590
Operating transfers out	(2,811,646)	-	-
Transfers from component unit	41,256	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,658,662)</b>	<b>-0-</b>	<b>176,590</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>456,715</b>	<b>234,113</b>	<b>(21,222)</b>
Fund balances, beginning of year	965,920	1,351	(478)
Prior period adjustment	-0-	-0-	(5,750)
<b>Fund balances, end of year</b>	<b>\$ 1,422,635</b>	<b>\$ 235,464</b>	<b>\$ (27,450)</b>

See accompanying notes to financial statements.



Revenue Sharing Reserve	Other Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 2,132,478	\$ 10,447,740
-	25,523	492,954
-	2,208,177	4,312,197
-	1,107,872	4,105,854
-	32,452	60,917
54,261	338,958	674,047
-	107,745	510,390
54,261	5,953,205	20,604,099
-	-	94,564
-	-	2,102,559
-	570,367	1,771,212
-	1,803,095	5,327,648
-	56,249	2,698,874
-	2,920,671	5,470,472
-	668,839	668,839
-	-	313,384
-	97,206	113,830
-	217,517	217,517
-	123,322	123,322
-0-	6,457,266	18,902,221
54,261	(504,061)	1,701,878
-	995,783	2,284,101
(858,125)	(351,527)	(4,021,298)
-	-	41,256
(858,125)	644,256	(1,695,941)
(803,864)	140,195	5,937
2,669,871	1,910,815	5,547,479
-0-	-0-	(5,750)
\$ 1,866,007	\$ 2,051,010	\$ 5,547,666

Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

**Net change in fund balances - total governmental funds** **\$ 5,937**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	298,234	
Depreciation expense	<u>(488,659)</u>	
Excess of depreciation expense over capital outlay		(190,425)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net revenue from governmental activities accounted for in Internal Service Funds	49,859
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in loans receivable	(39,972)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and loan principal retirement	231,845
------------------------------------	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in net pension obligation	8,791	
(Increase) in accrued compensated absences	<u>(75,735)</u>	
		<u>(66,944)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ (9,700)</u></b>
--	--------------------------

See accompanying notes to financial statements.

## Sanilac County, Michigan

## Proprietary Funds

## STATEMENT OF NET ASSETS

December 31, 2007

	Business-type Activities					Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005	Delinquent Tax 2006	Other Non-major Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 447,925	\$ 1,717,503	\$ 613,585	254,567	\$ 787,967	\$ 410,333
Taxes receivable - delinquent	-	6,660	176,799	1,333,211	196,879	-
Receivables	1,400,046	-	-	554	-	21,907
Inventory	9,130	-	-	-	-	8,500
Due from other funds	-	1,595,719	10	-	-	54,969
Due from other governmental units	-	6,110	1,699	11,020	1,530	3,466
Prepaid expenses	28,363	-	-	-	-	68,650
TOTAL CURRENT ASSETS	1,885,464	3,325,992	792,093	1,599,352	986,376	567,825
Restricted and other assets						
Cash and cash equivalents - restricted	37,364	-	-	-	-	-
Total restricted assets	37,364	-0-	-0-	-0-	-0-	-0-
Fixed assets						
Land	95,895	-	-	-	-	64,000
Buildings and improvements	4,051,481	-	-	-	-	141,733
Equipment	852,298	-	-	-	-	1,667,306
Vehicles	-	-	-	-	-	735,255
Less: accumulated depreciation	(3,399,608)	-	-	-	-	(2,030,881)
Net fixed assets	1,600,066	-0-	-0-	-0-	-0-	577,413
TOTAL ASSETS	3,522,894	3,325,992	792,093	1,599,352	986,376	1,145,238
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	149,352	-	-	-	-	60,178
Accrued payroll	104,486	-	-	-	-	60
Accrued liabilities	7,787	7,337	-	-	-	-
Due to other funds	-	-	3,133	1,369,719	226,010	-
Due to other governmental units	-	-	180	386	40	-
Due to individuals and agencies	-	-	-	3	-	-
Payable from restricted assets	6,326	-	-	-	-	-
Deferred revenue	37,364	-	-	-	-	-
Security deposits payable	19,829	-	-	-	-	-
Total current liabilities	325,144	7,337	3,313	1,370,108	226,050	60,238
Other liabilities						
Capital leases payable	-	-	-	-	-	108,688
Accrued vacation and sick	119,227	-	-	-	-	-
Advances from other funds	-	-	-	-	-	333
TOTAL LIABILITIES	444,371	7,337	3,313	1,370,108	226,050	169,259
<b>NET ASSETS</b>						
Invested in capital assets, net of debt	1,600,066	-	-	-	-	468,725
Unrestricted	1,478,457	3,318,655	788,780	229,244	760,326	507,254
TOTAL NET ASSETS	\$3,078,523	\$3,318,655	\$788,780	\$ 229,244	\$760,326	\$ 975,979

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Business-type Activities						Governmental Activities
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005	Delinquent Tax 2006	Other Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$8,337,099	\$ -	\$ -	-	\$ -	\$8,337,099	\$ 281,193
Contractual adjustments/prior cost settlements	(302,068)	-	-	-	-	(302,068)	-
Interest on taxes	-	5,732	208,496	\$115,455	84,813	414,496	-
Sales	24,987	-	-	-	53,964	78,951	-
Administrative fees	-	435	45,598	102,531	56,304	204,868	-
Other	59,906	12,819	62,947	-	-	135,672	314,277
TOTAL OPERATING REVENUES	8,119,924	18,986	317,041	217,986	195,081	8,869,018	595,470
OPERATING EXPENSES							
Salaries	4,042,141	-	-	-	-	4,042,141	2,650
Fringe benefits	1,542,341	-	-	-	35	1,542,376	1,669,411
Contractual services	425,257	-	-	-	-	425,257	231,991
Supplies	810,020	-	-	-	2,668	812,688	213,765
Depreciation	198,575	-	-	-	-	198,575	164,287
Other	1,229,106	-	61	6,583	19,952	1,255,702	44,075
TOTAL OPERATING EXPENSES	8,247,440	-	61	6,583	22,655	8,276,739	2,326,179
OPERATING INCOME (LOSS)	(127,516)	18,986	316,980	211,403	172,426	592,279	(1,730,709)
NON-OPERATING REVENUES (EXPENSES)							
Reimbursements	-	-	-	-	1,500	1,500	-
Interest revenue	29,322	52,669	9,731	14,480	45,360	151,562	-
Interest expense	-	-	(363)	(3,387)	(141)	(3,891)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	29,322	52,669	9,368	11,093	46,719	149,171	-0-
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	(98,194)	71,655	326,348	222,496	219,145	741,450	(1,730,709)
TRANSFERS IN (OUT)							
Operating transfers in	-	699,603	-	-	145,959	845,562	1,823,928
Operating transfers out	-	-	-	-	(935,184)	(935,184)	(43,360)
TOTAL TRANSFERS IN (OUT)	-0-	699,603	-0-	-	(789,225)	(89,622)	1,780,568
CHANGE IN NET ASSETS	(98,194)	771,258	326,348	222,496	(570,080)	651,828	49,859
Net assets, beginning of year	3,176,717	2,547,397	462,432	6,748	1,330,406	7,523,700	926,120
Net assets, end of year	\$3,078,523	\$3,318,655	\$788,780	\$229,244	\$ 760,326	\$8,175,528	\$ 975,979

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 7,904,585	\$ (110,761)	\$ 1,518,252
Cash paid to suppliers	(2,569,568)	(233)	(1,149,614)
Cash paid for employee benefits	(1,542,341)	-	-
Cash paid to employees	(4,030,731)	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(238,055)	(110,994)	368,638
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Interest expense	-	-	(363)
Transfers in	-	699,603	-
Transfers out	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	-0-	699,603	(363)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital lease proceeds	-	-	-
Payments on capital leases	-	-	-
Capital acquisitions	(256,835)	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(256,835)	-0-	-0-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	29,322	52,669	9,731
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(465,568)	641,278	378,006
Cash and cash equivalents, beginning of year	913,493	1,076,225	235,579
Cash and cash equivalents, end of year	<u>\$ 447,925</u>	<u>\$ 1,717,503</u>	<u>\$ 613,585</u>

See accompanying notes to financial statements.

Business-type Activities			Governmental Activities
Delinquent Tax 2006	Other Non-major Enterprise Funds	Total	Internal Service Funds
\$ (956,669)	\$ 173,324	\$ 8,528,731	\$ 687,262
1,098,162	60,868	(2,560,385)	(536,542)
-	-	(1,542,341)	(1,669,411)
-	-	(4,030,731)	(29,403)
141,493	234,192	395,274	(1,548,094)
(3,387)	(141)	(3,891)	-
-	145,959	845,562	1,823,928
-	(935,184)	(935,184)	(43,360)
(3,387)	(789,366)	(93,513)	1,780,568
-	-	-	6,475
-	-	-	(100,803)
-	-	(256,835)	(140,279)
-0-	-0-	(256,835)	(234,607)
14,480	45,360	151,562	-
152,586	(509,814)	196,488	(2,133)
101,981	1,297,781	3,625,059	412,466
<u>\$ 254,567</u>	<u>\$ 787,967</u>	<u>\$ 3,821,547</u>	<u>\$ 410,333</u>

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2007

	Business-type Activities		
	Medical Care Facility	Delinquent Tax Umbrella	Delinquent Tax 2005
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (127,516)	\$ 18,986	\$ 316,980
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	198,575	-	-
(Increase) decrease in receivables	(220,128)	7,833	1,177,838
(Increase) decrease in prepaids and inventory	271	-	-
(Increase) decrease in due from other funds	-	(181,990)	120
(Increase) decrease in due from other governments	-	44,410	23,253
Increase (decrease) in accounts payable	(105,456)	-	-
Increase (decrease) in deferred revenue	4,789	-	-
Increase (decrease) in due to other governments	-	-	(4,276)
Increase (decrease) in due to other funds	-	(233)	(1,145,277)
Increase (decrease) in accrued liabilities	11,410	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (238,055)</u>	<u>\$ (110,994)</u>	<u>\$ 368,638</u>

<u>Business-type Activities</u>		<u>Governmental Activities</u>	
Delinquent Tax 2006	Other Non-major Enterprise Funds	Total	Internal Service Funds
\$ 211,403	\$ 172,426	\$ 592,279	\$ (1,730,709)
-	-	198,575	164,287
(1,163,635)	(41,566)	(239,658)	(5,392)
-	-	271	15,722
(11,020)	92	(192,798)	100,285
-	19,717	87,380	(3,466)
-	-	(105,456)	(62,068)
-	-	4,789	-
345	40	(3,891)	(26,753)
1,104,400	83,633	42,523	-
-	(150)	11,260	-
<u>\$ 141,493</u>	<u>\$ 234,192</u>	<u>\$ 395,274</u>	<u>\$ (1,548,094)</u>



Sanilac County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Agency Funds	Pension Trust Fund
ASSETS		
Cash and cash equivalents	\$ 321,444	\$ 232,697
Investments	2,004	33,641,473
Accounts receivable	100	-
Accrued interest receivable	-	176,820
Due from other funds	139,337	81,201
Due from other governments	-	129,998
TOTAL ASSETS	<u>\$ 462,885</u>	<u>\$ 34,262,189</u>
LIABILITIES		
Accounts payable	\$ -	\$ 10,244
Undistributed collections	156,203	-
Due to other funds	1,413	59
Due to other governmental units	204,070	-
Due to individuals and agencies	101,199	-
TOTAL LIABILITIES	<u>\$ 462,885</u>	<u>\$ 10,303</u>
NET ASSETS		
Held in trust for pension benefits		<u>\$ 34,251,886</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2007

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 1,471,427
Net increase in fair value of investments	1,271,858
Less investment expenses	<u>(280,265)</u>
Net investment income	2,463,020
Contributions	
Employer	
Mental Health	380,410
Other	1,339,175
Employees	<u>287,842</u>
Total contributions	2,007,427
Other revenue	<u>3,036</u>
TOTAL ADDITIONS	4,473,483
DEDUCTIONS	
Benefit payments	1,350,293
Refunds of contributions	61,042
Administrative expenses	3,416
Other expenses	<u>7,881</u>
TOTAL DEDUCTIONS	<u>1,422,632</u>
CHANGE IN NET ASSETS	3,050,851
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>31,201,035</u>
End of year	<u><u>\$ 34,251,886</u></u>

See accompanying notes to financial statements.

## Sanilac County, Michigan

## Component Unit Funds

## COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Board of Public Works	Road Commission	Drainage Districts	Total Component Units
<b>ASSETS</b>				
Cash and cash equivalents	\$ 136,531	1,483,175	\$ 2,891,925	\$ 4,511,631
Special assessments receivable	-	-	3,048,779	3,048,779
Accounts receivable	-	8,135	928	9,063
Due from other governmental units	95,102	1,258,011	-	1,353,113
Inventory	-	245,930	-	245,930
Prepaid expenses	-	35,390	-	35,390
Due from other funds	-	-	77,881	77,881
Due from primary government	-	-	199,772	199,772
Leases receivable	18,294,597	-	-	18,294,597
Capital assets (net of accumulated depreciation)	-	45,552,980	13,142,078	58,695,058
<b>TOTAL ASSETS</b>	<b>18,526,230</b>	<b>48,583,621</b>	<b>19,361,363</b>	<b>86,471,214</b>
<b>LIABILITIES</b>				
Accounts payable	114,473	260,763	275	375,511
Accrued liabilities	-	80,776	-	80,776
Compensated absences	-	303,874	-	303,874
Deferred revenue	-	-	-	-
Lease purchases payable	-	986,717	-	986,717
Due to other funds	-	-	77,881	77,881
Notes, bonds, and loans payable	18,294,597	5,000	2,933,024	21,232,621
Due to other governmental units	-	-	-	-
Line of credit	-	-	-	-
Advances from other governmental units	-	215,919	-	215,919
Advances from primary government	-	-	122,539	122,539
<b>TOTAL LIABILITIES</b>	<b>18,409,070</b>	<b>1,853,049</b>	<b>3,133,719</b>	<b>23,395,838</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	44,566,263	10,209,054	54,775,317
Restricted for other purposes	-	2,164,309	-	2,164,309
Reserved for debt service	1,534	-	3,840,140	3,841,674
Unrestricted				
Designated for capital expenditures	115,626	-	2,178,450	2,294,076
Undesignated	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 117,160</b>	<b>\$46,730,572</b>	<b>\$ 16,227,644</b>	<b>\$63,075,376</b>

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Drainage Districts	\$ 1,195,578	143,553	26,713	\$ -	\$ (1,025,312)
Board of Public Works	3,396,881	-	2,872,623	-	(524,258)
Road Commission	12,817,912	1,937,404	5,305,661	3,450,258	(2,124,589)
<b>TOTALS</b>	<b>\$ 17,410,371</b>	<b>\$ 2,080,957</b>	<b>\$ 8,204,997</b>	<b>\$ 3,450,258</b>	<b>(3,674,159)</b>
General revenues					
Taxes					2,288,622
Investment earnings					401,074
Miscellaneous					45,715
Gain on equipment disposal					-
Transfers to primary government - net					(41,256)
Total general revenues and transfers					2,694,155
CHANGE IN NET ASSETS					(980,004)
Net assets, beginning of year					63,297,902
Prior period adjustments					757,478
Net assets, end of year					<u>\$ 63,075,376</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Fiduciary Fund - Road Commission

STATEMENT OF NET ASSETS

December 31, 2007

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 242,320
Investments	<u>4,756,743</u>
TOTAL ASSETS	<u>\$ 4,999,063</u>
 NET ASSETS	
Held in trust for pension benefits	<u>\$ 4,999,063</u>

See accompanying notes to financial statements.

Sanilac County, Michigan  
Component Unit Pension Trust Fund - Road Commission  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
Year Ended December 31, 2007

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 333,119
Net increase in fair value of investments	<u>206,135</u>
Net investment income	539,254
Contributions	
Employer	<u>191,272</u>
TOTAL ADDITIONS	730,526
DEDUCTIONS	
Benefit payments	<u>(350,910)</u>
CHANGE IN NET ASSETS	379,616
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>4,619,447</u>
End of year	<u><u>\$ 4,999,063</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Sanilac, Michigan was incorporated in 1820, and covers an area of approximately 961 square miles with the County seat located in the City of Sandusky. The County operates under an elected Board of Commissioners and provides services to its more than 44,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Sanilac County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

**2. Blended Component Unit**

The Sanilac County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Sanilac County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Sanilac County Health Department (primary government Special Revenue Fund) are reported on the fiscal year ended September 30, 2007.

**3. Discretely Presented Component Units**

These component units are reported in a separate column to emphasize that, while legally separate, Sanilac County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Sanilac County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Sanilac County Road Commission maintains local, state, and federal trunklines within Sanilac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by the residents of the County. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and financial statements are issued under separate cover.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Discretely Presented Component Units - continued**

The financial statements of the Sanilac County Road Commission may be obtained from the administrative office of the Road Commission located at 35 N. Flynn Street, Sandusky, MI 48471.

The Sanilac County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Drainage Districts come under the jurisdiction of the Sanilac County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$150,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$150,000 require County authorization and are backed by the full faith and credit of the County.

In 2007, the Sanilac Economic Alliance was formed which is a separate nonprofit organization with no relationship to Sanilac County. The County agreed to transfer the assets and liabilities of the EDC to this organization. Although the EDC currently has no financial activity, the organization still exists for future use by the County if needed.

**4. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the County's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are described as follows:



NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- b. Health Department Fund - The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges and other local revenues.
- c. Road Millage Fund - The Road Millage Fund is used to account for the collection of a dedicated tax levy and transfers of funds to the Road Commission related to road projects.
- d. Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is used to account for a portion of the County General Fund property tax levy that has been set aside per State statute to offset reductions in State Revenue Sharing funds. Transfers are made from this fund to the General Fund to replace the State Revenue Sharing funds that have been reduced.

PROPRIETARY FUNDS

- a. Medical Care Facility Fund - The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- b. Delinquent Tax Umbrella Fund - The Delinquent Tax Umbrella Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.
- c. Delinquent Tax 2005 Fund - The Delinquent Tax 2005 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2005 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.
- d. Delinquent Tax 2006 Fund - The Delinquent Tax 2006 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2006 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**7. Cash and Cash Equivalents**

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets and investment trust funds with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

**8. Investments**

Investments are reported at fair value. Investments consist of various Pension Fund securities (i.e., U.S. government securities, mortgage backed securities, American depository receipts, corporate bonds, common stock, foreign stocks and bonds) and certificates of deposit with an original maturity of over 90 days. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for doubtful accounts.

10. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Component Unit Road Commission governmental fund consists of various road construction and maintenance supplies and materials. These items are valued at cost determined on the average cost and specific identification methods.

11. Prepaid Expenditures

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures.

12. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated restricted donations and patient trust deposits.

13. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. All drain infrastructure other than routine maintenance is capitalized retroactively back to June 30, 1980 as required by GASB Statement No. 34.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Capital Assets - continued

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONTINUED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Vehicles and equipment	5 - 15 years
Drain infrastructure	30 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges and similar items) are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Sanilac County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2007, including related payroll taxes, is recorded in the government-wide financial statements for the Primary Government and Component Units.

NOTES TO FINANCIAL STATEMENTS

December 31 2007

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**17. Deferred Revenue**

Deferred revenue consists of amounts related to long-term special assessment tax receivables, December 2006 current tax levy receivables, and various grant revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

**18. Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except that pension contributions, recorded as revenue in the Pension Trust Fund, represent remittances of required amounts from the County and employees pursuant to pension plan agreements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund provides administrative services to various funds. Amounts charged to the other funds for these services are based on the County's cost allocation plan and are treated as miscellaneous revenues in the General Fund and as operating expenditures/expenses in the other funds.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenues. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

**19. Contractual Adjustments**

The County records all charges for services of the primary government Medical Care Facility (Enterprise) Fund as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

**20. Budgets and Budgetary Accounting**

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results.

The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds. For control purposes, all funds' budgets are maintained at the activity and account level. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations that were adopted.

**21. Federal Programs**

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

**22. Comparative Data**

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes a pooled cash account for numerous funds. The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of this pooled account is included in the cash and cash equivalents caption on the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or Sanilac office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2007, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,228,146	\$ 1,129,911
Savings and money market accounts	6,980,334	6,952,639
Certificates of deposit	<u>5,978,741</u>	<u>5,978,741</u>
TOTAL PRIMARY GOVERNMENT	14,187,221	14,061,291

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
COMPONENT UNITS		
Checking	\$ 2,665,140	\$ 2,750,606
TOTAL REPORTING ENTITY	<u>\$16,852,361</u>	<u>\$16,811,897</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2007, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,251,441 and the amount of \$15,560,456 was uninsured and uncollateralized.

As of December 31, 2007, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount/ Fair Value</u>
PRIMARY GOVERNMENT	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Government securities	\$ 5,424,022
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name	
Mortgage backed securities	1,293,145
American depository receipts	288,113
Corporate bonds	5,379,816
Collateralized mgt obligations	1,532,597
Asset-backed securities	500,992
Common stock	15,873,970
Foreign stock	1,011,842
Uncategorized pooled investment funds	<u>195,653</u>
Total primary government	<u>31,500,150</u>
COMPONENT UNITS	
Uncategorized pooled investment funds	
Road Commission	
Pension Trust	<u>4,999,063</u>
TOTAL REPORTING ENTITY	<u>\$ 36,499,213</u>

The categorized investments listed above were purchased for the County employee's Pension Trust Fund. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types.

The uncategorized pooled investments listed above represent surplus funds invested under trust agreements with banks. The surplus funds are pooled with surplus funds of other local units of government, which the banks invest and hold in trust. Separate accounts designated by the County's name and number are maintained by the trustee banks. The nature of these investments do not allow for risk categorization, which is in accordance with GASB Statement #3.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the applicable balance sheet/statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 7,171,256	\$ 4,511,631	\$ 554,141	\$ 12,237,028
Cash and cash equivalents - Restricted	37,364	-	-	37,364
Investments	<u>2,556,735</u>	<u>-</u>	<u>33,643,477</u>	<u>36,200,212</u>
	<u>\$ 9,765,355</u>	<u>\$ 4,511,631</u>	<u>\$ 34,197,618</u>	<u>\$ 48,474,604</u>

The primary government cash and cash equivalents reported amounts are different than the book and bank balance analysis by \$39,573 due to the Health Department (Special Revenue Fund) being reported in the financial statements as of September 30, 2007, but in the analysis above as of December 31, 2007. The primary government cash and cash equivalents caption on the applicable balance sheet/statement of net assets also include \$10,442 in imprest cash. The component unit cash and cash equivalents caption on the applicable balance sheet /statement of net assets includes \$50 in imprest cash.

**NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2007, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
<b>PRIMARY GOVERNMENT</b>			
<b>Special Revenue Funds</b>			
Friend of the Court	\$( 56,525 )	\$ 100	\$( 56,425 )
Health Department	( 28,135 )	1,300	( 26,835 )
Register of Deeds - Automation	( 10,391 )	124,317	113,926
Drug Law Enforcement	( 12,165 )	130,396	118,231
Secondary Road Patrol	( 20,650 )	-	( 20,650 )
Contractual Road Patrol	( 10,121 )	-	( 10,121 )
Crime Victims Rights	( 9,239 )	-	( 9,239 )
Remonumentation Program	( 68,957 )	-	( 68,957 )
Great Parents	( 2,118 )	-	( 2,118 )
<b>Enterprise Funds</b>			
Medical Care Facility	( <u>37,364</u> )	<u>485,289</u>	<u>447,925</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$( 254,365 )</u>	<u>\$ 740,120</u>	<u>\$ 485,737</u>



## Sanilac County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

In the government-wide Statement of Net Assets, all interfund receivables and payables between individual governmental funds, business type funds, and components unit funds have been eliminated. The following schedule details the remaining interfund receivables and payables at December 31, 2007:

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
<b>PRIMARY GOVERNMENT</b>		<b>PRIMARY GOVERNMENT</b>	
Due from other funds		Due to other funds	\$ -
Governmental Activities		General fund	50,000
Health Department	\$ 17,186	Other non-major funds	4,907
General Fund	3,465		
Other non-major funds	-		
Proprietary Funds	54,969	Business-type Activities	
		Other non-major funds	-
		Delinquent tax 2005	3,133
			<u>3,133</u>
Totals Primary Government	<u>\$ 75,620</u>		<u>\$ 58,040</u>
<b>COMPONENT UNITS</b>		<b>PRIMARY GOVERNMENT</b>	
Due from Primary Government		Due to Component Units	
Drainage Districts	\$ 199,772	Governmental Activities	
		General Fund	\$ 199,772
			<u>\$ 199,772</u>
Totals Component Units	<u>\$ 199,772</u>		<u>\$ 199,772</u>
<b>PRIMARY GOVERNMENT</b>		<b>COMPONENT UNITS</b>	
Advances to Component Units		Advances from primary government	
General Fund	\$ 122,539	Drainage Districts	\$ 122,539
			<u>\$ 122,539</u>

The difference of \$17,186 in the due from other funds and due to other fund balances in the Primary Government area is due to the Health Department Fund being reported as of September 30, 2007, and the other funds being reported as of December 31, 2007.

**NOTE E: INTERFUND TRANSFERS**

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the government-wide Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component unit funds have been eliminated.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE E: INTERFUND TRANSFERS - CONTINUED**

Fund	Primary Government		Component Units			
	Transfers In	Transfers Out	Transfers from Component Units	Transfers to Primary Government	Transfers from Primary Government	Transfers to Component Units
Primary Government						
General Funds	\$ 1,111,728	\$ 2,811,646	\$ 41,256	\$ -	\$ -	\$ -
Health Department	176,590	-	-	-	-	-
Revenue Sharing Reserve	-	858,125	-	-	-	-
Non-major governmental funds	995,783	351,527	-	-	-	-
Internal Service Funds	1,823,928	43,360	-	-	-	-
Delinquent Tax Umbrella	699,603	-	-	-	-	-
Non-major business-type funds	145,959	935,184	-	-	-	-
Component Units						
Board of Public Works	-	-	1,812	-	-	1,812
Drainage Districts	-	-	375,176	41,256	-	375,176
	<u>\$ 4,953,591</u>	<u>\$ 4,999,822</u>	<u>\$ 416,432</u>	<u>\$ 41,256</u>	<u>\$ -0-</u>	<u>\$ 375,176</u>

The difference of \$46,231 is due to the Health Department Fund being reported as of September 30, 2007 and the other funds being reported as of December 31, 2007.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

**PRIMARY GOVERNMENT**

	Restated Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007
GOVERNMENTAL ACTIVITIES				
Land and improvements	\$ 230,918	\$ -	\$ -	\$ 230,918
Buildings and improvements	6,952,398	39,982	-	6,992,380
Vehicles	1,035,249	182,653	( 200,341 )	1,017,560
Equipment	<u>2,759,800</u>	<u>75,599</u>	<u>( 24,000 )</u>	<u>2,811,400</u>
Total at historical cost	10,978,365	298,234	( 224,341 )	11,052,258
Less accumulated depreciation	<u>( 5,262,371 )</u>	<u>( 488,659 )</u>	<u>224,341</u>	<u>( 5,526,689 )</u>
Capital assets, net	<u>\$ 5,715,994</u>	<u>\$ ( 190,425 )</u>	<u>\$ -0-</u>	<u>\$ 5,525,569</u>

Sanilac County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

**PRIMARY GOVERNMENT**

	Restated Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>
<b>BUSINESS TYPE ACTIVITIES</b>				
Land	\$ 95,895	\$ -	\$ -	\$ 95,895
Buildings and improvements	3,806,969	244,513	-	4,051,481
Equipment	<u>894,567</u>	<u>-</u>	<u>( 42,270 )</u>	<u>852,298</u>
Total at historical cost	4,797,431	244,513	( 42,270 )	4,999,674
Less accumulated depreciation	<u>( 3,254,815 )</u>	<u>( 144,793 )</u>	<u>-</u>	<u>( 3,399,608 )</u>
Capital assets, net	<u>\$ 1,542,616</u>	<u>\$( 99,720 )</u>	<u>\$( 42,270 )</u>	<u>\$ 1,600,066</u>

**COMPONENT UNITS**

	Balance <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2007</u>
<b>DRAINAGE DISTRICTS</b>				
Drains	\$ 24,625,234	\$ 383,500	\$ -	\$ 25,008,734
Less accumulated depreciation	<u>( 11,032,831 )</u>	<u>( 833,824 )</u>	<u>-</u>	<u>( 11,866,656 )</u>
Capital assets, net	<u>\$ 13,592,403</u>	<u>\$( 450,324 )</u>	<u>\$ -</u>	<u>\$ 13,142,078</u>
<b>ROAD COMMISSION</b>				
Land and improvements	\$ 66,903	\$ -	\$ -	\$ 66,903
Buildings	430,666	64,436	-	495,102
Equipment	8,125,557	380,882	445,139	8,061,300
Construction in progress	393,228	222,092	393,228	222,092
Infrastructure (roads, bridges)	64,961,567	3,250,755	736,424	67,475,898
Depletable assets	<u>55,450</u>	<u>-</u>	<u>-</u>	<u>55,450</u>
Totals at historical cost	74,033,371	3,918,165	( 1,574,791 )	76,376,745
Less accumulated depreciation	<u>( 28,595,970 )</u>	<u>( 3,399,135 )</u>	<u>1,171,340</u>	<u>( 30,823,765 )</u>
Capital assets, net	<u>\$ 45,437,401</u>	<u>\$ 519,030</u>	<u>\$( 403,451 )</u>	<u>\$ 45,552,980</u>

**NOTE G: LINE OF CREDIT**

The Economic Development Corporation had a line of credit agreement with Chase Bank to cover costs associated with their 2006 fundraising campaign. The line of credit limit was for \$250,000 with interest of an annual rate of 2.75% under the prime rate, payable in full on June 14, 2007. This line of credit was to be assumed by the Sanilac Economic Alliance (a nonprofit organization separate from Sanilac County) in 2007 along with other assets and liabilities of the EDC. However, since the new organization was formed as a nonprofit organization, it could not assume the line of credit liability.

Since the EDC is still a viable organization, and the fact that sufficient documentation could not be located to support whether the EDC could still be held responsible for payment of this debt, this debt is being disclosed as a contingent liability of the EDC.

## Sanilac County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2007:

	Restated Balance Jan. 1, 2007	Additions	Reductions	Balance Dec. 31, 2007	Amounts Due within One Year
<b>PRIMARY GOVERNMENT</b>					
General Long-Term Debt					
Direct County Obligations	\$ 2,907,593	\$ -	\$ 217,517	\$ 2,690,076	\$ 232,686
Sheriff Department Equipment Loan	44,123	-	14,328	29,795	14,328
Pension liability	547,132	-	8,791	538,341	-
Accumulated vacation and sick	858,107	75,735	-	933,842	-
	4,356,955	75,735	240,636	4,192,054	247,014
Proprietary Fund Types					
Internal Service Funds					
Data Processing Fund					
Capital lease	-	-	-	-	-
Police Vehicle & Equipment Fund					
Capital leases	80,199	80,274	81,208	79,265	27,425
Motor Pool Fund					
Capital lease	49,019	-	19,595	29,424	20,924
Enterprise Funds					
Medical Care Facility					
Accumulated vacation and sick	109,032	10,195	-	119,227	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>4,595,205</b>	<b>166,204</b>	<b>341,439</b>	<b>4,419,970</b>	<b>295,363</b>
<b>COMPONENT UNITS</b>					
Board of Public Works					
Water system bonds	16,006,974	2,872,623	585,000	18,294,597	915,000
Drainage Districts					
Special assessment bonds	1,595,000	-	165,000	1,430,000	175,000
Special assessment notes	672,000	-	167,000	505,000	60,000
Section 434 notes	992,978	263,000	229,579	1,026,399	243,670
Total Drainage Districts	3,259,978	263,000	561,579	2,961,399	478,670
Road Commission					
Capital leases payable	394,037	-	232,412	161,625	66,093
Local Jobs Today loan	-	825,092	-	825,092	-
Accumulated vacation and sick	390,558	171,445	258,129	303,874	182,990
Total Road Commission	784,595	996,537	490,541	1,290,591	249,083
<b>TOTAL COMPONENT UNITS</b>	<b>20,051,547</b>	<b>4,132,160</b>	<b>1,637,120</b>	<b>22,546,587</b>	<b>1,642,753</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$24,646,752</b>	<b>\$ 4,298,364</b>	<b>\$ 1,978,559</b>	<b>\$26,966,557</b>	<b>\$ 1,938,116</b>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

Direct County Obligations - County Building Authority Bonds

The Sanilac County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility, Jail and Health Department buildings from the Sanilac County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2007 are as follows:

\$1,350,000 Sanilac County Building Authority Bonds (Medical Care Facility Project) - Series 1995, dated February 1, 1995, due in annual installments ranging from \$45,000 to \$105,000 through October 1, 2020, with interest ranging from 4.80 to 5.50 percent, payable semi-annually.	\$ 940,000
\$1,175,000 Sanilac County Building Authority Bonds (Jail Project Refunding Bonds) - Series 2003 dated July 30, 2003, due in annual installments ranging from \$75,000 to \$105,000 through September 1, 2017, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	895,000
\$1,215,000 Sanilac County Building Authority Bonds (Health Project Refunding Bonds) - Series 2002 dated August 1, 2002, due in annual installments ranging from \$95,000 to \$125,000 through January 1, 2014, with interest ranging from 4.00 percent to 4.30 percent, payable semi-annually.	<u>770,000</u>
	2,605,000

Direct County Obligations - Brownfield Redevelopment Authority Note

During fiscal year 2006, the Sanilac County Board of Commissioners assumed a long-term note payable previously in the name of the Sanilac County Economic Development Corporation. The note was for the Sandusky-Argyle Street Project #455761-00, dated September 7, 2001, due in annual installments ranging from \$7,517 to \$9,184 through September 7, 2016, with interest of 2.25 percent, payable annually.

<u>85,076</u>
<u>\$ 2,690,076</u>

Advance Refundings - Prior

On August 1, 2002, the County defeased the balance of the 1995 Building Authority Bonds (Health Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2002 Building Authority Refunding Bonds (Health Project) in the amount of \$1,215,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2007, bonds due and payable for the 1995 Building Authority Bonds (Health Project) in the amount of \$865,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG TERM DEBT - CONTINUED**

**PRIMARY GOVERNMENT - CONTINUED**

Advance Refundings - Prior - continued

On July 30, 2003, the County defeased the balance of the 1996 Building Authority Bonds (Jail Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2003 Building Authority Refunding Bonds (Jail Project) in the amount of \$1,175,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2007, bonds due and payable for the 1996 Building Authority Bonds (Jail Project) in the amount of \$965,000 are considered defeased.

Sheriff Kitchen Equipment Vendor Loan

On September 16, 2004, the Sheriff department took out a loan for \$50,439 with the vendor to purchase new equipment for the kitchen. Payments of principal and interest are made based on a predetermined rate per meal served by the jail. The principal balance outstanding at December 31, 2007 is 29,795.

Pension Liability

The pension liability represents the cumulative difference between the annual required employer contributions (per actuarial reports) and the actual contributions made to the retirement system by the County. This amount of \$538,341 is reflected as a noncurrent liability in the statement of net assets.

Accumulated Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,052,569 for vacation and sick at December 31, 2007. This amount has been reported as a noncurrent liability in the statement of net assets.

Capital Leases

The County purchased four (4) police vehicles in 2006 under a capital lease agreement. The cost of the vehicles under this lease agreement was \$80,274. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased four (4) police vehicles in 2005 under a capital lease agreement. The cost of the vehicles under this lease agreement was \$80,958. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased four (4) police vehicles in 2006 under a capital lease agreement. The cost of the vehicles under this lease agreement was \$82,374. The asset and liability has been recorded in the Police Vehicle and Equipment (Internal Service) Fund.

The County purchased two (2) vehicles in 2005 under capital lease agreements. The cost of the vehicles under these lease agreements were \$24,784. The asset and liability has been recorded in the Motor Pool (Internal Service) Fund.

Sanilac County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE H: LONG-TERM DEBT - CONTINUED**

**PRIMARY GOVERNMENT - CONTINUED**

Capital Leases - continued

The County purchased three (3) vehicles in 2006 under capital lease agreements. The cost of the vehicles under these lease agreements were \$52,682. The asset and liability has been recorded in the Motor Pool (Internal Service) Fund.

The following is a summary of future payment requirements on these leases.

<u>Due Year Ending December 31,</u>	<u>Vehicles</u>
2008	\$ 80,488
2009	<u>37,505</u>
	117,992
Less: interest	<u>( 9,304 )</u>
	<u>\$ 108,689</u>

Delinquent Tax Notes

The County purchases from the other local taxing authorities the face value of real property taxes that become delinquent each year. To fund this purchase, the County issues delinquent tax notes for which the subsequent collections of the delinquent taxes are used as collateral for payment of the notes. The activity related to issuance and payment of this debt is recorded in the applicable Delinquent Tax (Enterprise) Fund.

There were no outstanding delinquent tax notes payables at December 31, 2007.

**COMPONENT UNIT - BOARD OF PUBLIC WORKS**

Indirect County Obligations - Water System Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2007, for the water system construction projects are as follows:

\$1,030,000 Sanilac County Water System Improvements Project Bonds - Series 1998 (Townships of Lexington and Worth), dated October 1, 1998, due in annual installments ranging from \$50,000 to \$75,000 through May 1, 2018, with interest ranging from 4.50 percent to 5.05 percent, payable semi-annually.	\$ 720,000
\$8,225,000 Sanilac County Water System Improvement Project Bonds - Series 2000A (Township of Worth), dated March 1, 2000, due in annual installments ranging from \$425,000 to \$450,000 through May 1, 2020, with interest ranging from 5.625 to 6.10 percent, payable semi-annually.	5,675,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water System Bonds - continued

\$950,000 Sanilac County Water System Improvements Project Bonds - Phase II - Series 2001 (Township of Worth), dated December 1, 2001, due in annual installments of \$50,000 through May 1, 2020, with interest ranging from 4.70 percent to 5.30 percent, payable semi-annually.	\$ 650,000
\$200,000 Sanilac County Brown City Water Tower Rehabilitation Project Bonds, Series 2002, dated September 1, 2002, due in annual installments of \$20,000 through March 1, 2012, with interest at 3.35 percent, payable semi-annually.	100,000
\$1,065,000 Sanilac County Drinking Water Revolving Project Bonds, dated June 24, 2004, due in annual installments ranging from \$25,000 to \$50,000 through April 1, 2034, with interest at 2.125 percent, payable semi-annually.	990,000
\$815,000 Sanilac County, Village of Carsonville Water Supply Bonds, dated August 5, 2005, due in annual installments ranging from \$15,000 to \$31,032 through April 1, 2036, with interest at 2.125 percent, payable semi-annually.	626,032
\$9,290,000 Sanilac County Drinking Water Revolving Project Bonds (Sanilac Township) dated June 22, 2006, due in annual installments ranging from \$235,000 to \$315,000 through April 1, 2037, with interest at 2.125 percent, payable semi-annually.	8,833,565
\$700,000 Sanilac County Arsenic Abatement (City of Brown City) System Bonds, Series 2007 dated June 5, 2007, due in annual installments ranging from \$20,000 to \$55,000 through November 1, 2027, with interest at 4.3 percent, payable semi-annually.	<u>700,000</u>
	<u>\$18,294,597</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit for the following drain bonds and notes. These projects are administered by the Sanilac County Drain Commission for various local drainage districts.

The drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Bonds and notes payable at December 31, 2007, per respective drain projects serviced from the Component Unit Funds are as follows:

Special Assessment Bonds

\$2,555,000 Duff and Branches Drain Bonds dated January 1, 1999, due in annual installments ranging from \$165,000 to \$230,000 through June 1, 2014, with interest of 4.00 percent, payable semi-annually.	<u>\$ 1,430,000</u>
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## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG-TERM DEBT - CONTINUED**

## COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Special Assessment Notes

\$745,000 Stone drain note dated September 11, 2003, due in annual installments of \$60,000 to \$65,000 through June 1, 2015, with interest at 4.25 percent, payable semi-annually. \$ 505,000

Various section 434 drain notes due in various annual installments and interest rates through 2016. \$ 1,026,399

## COMPONENT UNIT - ROAD COMMISSION

Capital Leases

The Road Commission has entered into various capital lease agreements for the purchase of various equipment. The cost of equipment purchased under these capital leases totaled \$161,625.

The following is a summary of future payment requirements on these leases.

<u>Due Year Ending December 31,</u>	<u>Amount Due</u>
2008	\$ 76,606
2009	<u>99,075</u>
	175,681
Less: interest	<u>( 14,056 )</u>
	<u>\$ 161,625</u>

Local Jobs Today Loan

The Commission entered into a Loan Contract with the State of Michigan for the purpose of financing transportation infrastructure improvements. Principal will be repaid using federal aid reimbursements as they are available. Interest of 4% will be invoiced by the State annually. All principal and interest on the loan must be paid on or before September 30, 2009. As of December 31, 2007, the principal amount owed was \$825,092.

Because the principal is to be repaid with federal aid when it becomes available, there is currently no repayment schedule available.

Accumulated Vacation and Sick

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. As of September 30, 2003, individual employees do not have vested rights upon termination of employment to receive payment for unused sick leave, however balances that had accumulated up to that date will be paid out to individual employees over a five year period.

Accumulated vacation and sick leave represents a liability to the Commission, which is presented as a current liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$303,874 at December 31, 2007.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE H: LONG-TERM DEBT - CONTINUED**

**COMPONENT UNIT - ROAD COMMISSION - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending December 31,	Primary Government	Component Units		Total
	Direct County Obligations	Board of Public Works Water System Bonds	Drainage Districts Bond and Drain Notes	
2008	\$ 346,970	\$ 1,459,490	\$ 566,487	\$ 2,372,948
2009	343,408	1,432,593	510,247	2,286,248
2010	344,358	1,404,651	477,179	2,226,189
2011	349,478	1,366,331	456,179	2,172,669
2012	338,983	1,332,573	425,428	2,096,984
2013-2017	1,373,545	6,577,899	967,829	8,919,273
2018-2022	322,725	4,436,274	38,910	4,797,909
2023-2027	-	2,598,253	-	2,598,181
2028-2032	-	2,153,041	-	2,153,041
2033-2038	-	1,739,175	-	1,739,175
	3,419,467	24,500,209	3,442,970	31,362,646
Less: interest	( 729,391 )	( 6,205,612 )	( 481,631 )	( 7,416,635 )
	<u>\$ 2,690,076</u>	<u>\$18,294,597</u>	<u>\$ 2,961,339</u>	<u>\$23,946,012</u>

**NOTE I: EMPLOYEE RETIREMENT SYSTEM**

**RETIREMENT SYSTEM - COUNTY GENERAL**

The County contributes to the Sanilac County Employee Retirement Plan and Trust (the Plan), which is a single-employer public employee retirement systems (PERS). The PERS is considered part of the County of Sanilac financial reporting entity and is included in the County's primary government financial statements as a pension trust fund. A stand-alone financial report for the Plan has not been issued.

On October 1, 1997, the Sanilac County Community Mental Health Authority (the "Authority") was formed as an entity legally separate from Sanilac County. The Authority received separately audited financial statements; however, the pension plan assets and liabilities of the Authority were not transferred from the County's pension plan into a separate plan for the Authority employees. As a result, disclosures related to the County's pension plan remain presented as a single employer plan; however, information regarding the benefit provisions, pension costs, and pension obligation is reported net of the Authority. That is, the numbers presented for the aforementioned items relate only to Sanilac County employees.

All active employees working at least 1,000 hours per year, who agree to make mandatory contributions as specified by the Plan document, (except for certain participants) become a participant on the date of hire. At least 50% of the participant's compensation must come from County funds and the participant must be an employee of the County for Plan A, an employee of the Health Department for Plan B, an employee of the Parks Department for Plan C, an employee of the Sheriff Department for Plan E, and an employee of the Medical Care Facility for Plan F.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE 1: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED**

Membership of the plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	133
Inactive plan members	50
Active plan members	<u>420</u>
Total	<u>603</u>

**NORMAL RETIREMENT BENEFIT**

**Eligibility**

Benefits vest after ten (10) years of service for employees hired after the year 2000. General County and Parks Department employees may retire at age fifty-five (55) with the completion of twenty-five (25) years of credited service. Sheriff department employees may retire at age fifty (50) with completion of twenty-five (25) years of credited service. All other plan employees may retire at age sixty (60) with at least eight (8) years of credited service.

**Benefit**

Average compensation means compensation converted to a monthly amount and then averaged over the five consecutive total of years of service, which produce the highest monthly average within the last ten completed years of employment.

The normal retirement benefit for the Sheriff's Department bargaining unit, County Sheriff and County Under-Sheriff is calculated based upon 2.5% of average compensation multiplied by total years of credited service. The normal retirement benefit for elected and appointed officials is calculated based on 2.1% of average compensation multiplied by total years of credited service. The normal retirement benefit for other County personnel is calculated based upon 2% of average compensation multiplied by total years of credited service.

Accrued benefit is payable immediately without any actuarial reductions in monthly benefit. Accrued benefit is defined as a percentage of the benefit projected at normal retirement, which accrues for each year of service a participant is in the plan.

**DISABILITY BENEFIT**

**Eligibility**

Plan participants who are totally and permanently disabled and have ten (10) years of credited service may receive benefits.

**Benefit**

Computed in the same manner as Normal Retirement Benefit and then reduced for an early retirement start date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED**

**PRE-RETIREMENT DEATH BENEFIT**

Eligibility

Death before retirement after completion of eight (8) years of credited service.

Benefit

Computed in the same manner as Normal Retirement Benefit based on credited service at date of death. Benefit is payable to the beneficiary for a period not to exceed 120 months.

These benefit provisions and all other requirements were established and may be amended by the County Board of Commissioners.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Plan are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities that are traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The differences between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assts as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Plan is administered by Sanilac County. The County has hired a third party to perform many of the administrative functions of the Plan. Administrative expenses, such as trustee fees, investment counseling, and actuarial fees, are paid by the Plan.

Funding Policy

The contribution requirements of plan members and the County are established and may be amended by the Sanilac County Retirement Board. Members of the Public Health and Medical Care Facility groups, as well as POAM/COAM members hired after December 31, 1999, and District and Probate Court members hired after May 31, 2002, are required to contribute 5% of their annual covered salary. Members of the General Union and Friend of the Court hired after June 30, 2002, are required to contribute 3.75% of their annual salary. The County is required to contribute at an actuarially determined rate.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Annual Pension Cost and Net Pension Obligation**

The County's annual pension costs and net pension obligation for the current year were as follows:

Net pension asset (obligation), beginning of year (restated)	\$( 547,132 )
Annual pension cost (required contribution)	( 1,330,384 )
Contributions made	<u>1,339,175</u>
Net pension asset (obligation), end of year	<u>\$( 538,341 )</u>

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5% per year, compounded annually for inflation and merit and longevity pay ranging from 0 to 3.7%, and (c) the assumption that benefits will not increase after retirement.

The unfunded actuarial accrued liability is amortized as a level percent of payroll on a closed basis with a remaining amortization period of 20 years. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/04	\$25,697,666	\$35,505,649	\$ 9,807,983	72.4 %	\$13,087,247	74.9 %
12/31/05	28,364,899	36,369,005	8,004,106	78.0 %	12,821,819	62.4 %
12/31/06	31,310,111	39,316,676	8,006,565	79.6 %	13,678,365	58.5 %

NOTE: Amounts presented above include information for the Sanilac County Mental Health Authority. Separate information for the County and the Authority were not available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 1,331,749	97.4 %	\$( 525,922 )
2006	1,365,736	98.4 %	( 547,132 )
2007	1,330,384	100.67 %	( 538,341 )

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - ROAD COMMISSION**

**PLAN DESCRIPTION**

The Road Commission has a master single employer defined contribution plan called The Sanilac County Money Purchase Plan. This defined contribution plan is administered by Pension Plan Service, Inc. and is available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

Plan provisions require that the Road Commission contribute 8 percent of each active participant's compensation and do not allow for participant contributions. The Road Commission's contributions for each employee (and earnings allocated to the employee's account) are vested at the rate of 20 percent upon completing 2 years of service, plus an additional 20 percent for each year of the next 4 years of service. Road Commission contributions for and interest forfeited by employees who leave employment before full vesting are used to reduce the Road Commission's current period contribution requirement. The plan uses the accrual basis of accounting with investments stated at market.

The Road Commission's total payroll for the year ended December 31, 2007, was \$2,485,959. The Road Commission's contributions were calculated using the covered compensation amount of \$2,390,896. The Road Commission made the required contribution amounting to \$191,272.

**NOTE J: RISK MANAGEMENT**

**PRIMARY GOVERNMENT**

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$100,000 per claim are paid from the net contribution account of the County held by the Authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle and up to \$30,000 per occurrence and property and crime claims up to \$10,000 are also paid from the County's contribution account. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

The County's insurance administrator may make additional assessments to its member participants based upon the results of insurance pools operations. There were not reductions in the County's insurance coverage from the prior year. The County's policy is to recognize the annual contribution to the Authority as an expenditure of the General Fund and Motor Pool Internal Service Fund.

In accordance with Governmental Accounting Standards Board Statement No. 10, the County determines an estimated claims liability that includes expected losses from reported claims and an amount for incurred but not reported claims. The County relies on their insurance administrator's calculations of both types of claim liabilities. The County has determined the estimated claims liability net of a cash balance in the Retention Fund to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE J: RISK MANAGEMENT - CONTINUED**

COMPONENT UNIT

Road Commission

Sanilac County Road Commission is member of the Michigan County Road Commission Self Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Sanilac County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2007, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

**NOTE K: CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

In the normal course of operations, there are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

A substantial portion of the Medical Care Facility and Health Department's total patient revenues are for services provided to Medicare and Medicaid patients. Payments for these services are based upon allowable services and costs incurred and are subject to final audit by the intermediaries.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE L: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2007 ad valorem tax is levied and collectible on December 31, 2007, it has been the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations. However, for the County's 2007 tax levy, the entire General Fund ad valorem tax was levied in the summer of 2007 and recognized as revenue in 2007.

The 2007 taxable value of Sanilac County amounted to \$1,389,479,850 on which ad valorem taxes levied consisted of 4.0482 mills for general operations, .1972 mills for Council on Aging, .1972 mills for Ambulance services, and 2.000 mills for the Roads, .5000 mills for drug law enforcement, .2000 mills for Parks, .1972 mills for County Library, .1233 mills for Veterans, and .1972 mills for MCF maintenance of effort.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund and applicable Special Revenue Funds, with the exception of the amounts recognized as revenue in 2007 as described above.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

**NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the body of the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2007, the County incurred expenditures in the General Fund and one (1) major Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
Contagious Disease	\$ 58,000	\$ 58,105	\$ 105
Special Revenue Funds			
Health Department Fund	1,828,449	2,173,295	344,846

A portion of the overage in Health Department is due to an audit entry to record the gross revenue and expenditure related to federal vaccine activity.



Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2007:

PRIMARY GOVERNMENT

General Fund

Reserved for prepaids	\$ 3,578
Reserved for advances to other funds	<u>122,539</u>
	126,117

Health Department

Reserved for prepaids	<u>2,446</u>
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Total Major Funds	128,563
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Other Non-Major Funds

Special Revenue Funds

Friend of the Court

Reserved for prepaids	2,942
-----------------------	-------

Veterans Millage

Reserved for prepaids	689
-----------------------	-----

Secondary Road Patrol

Reserved for prepaids	1,067
-----------------------	-------

Crime Victim's Rights

Reserved for prepaids	26
-----------------------	----

Child Care

Reserved for prepaids	239
-----------------------	-----

Parks and Recreation

Reserved for prepaids	2,027
-----------------------	-------

Medical Care Facility

Reserved for debt service	19,860
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Health Department Building

Reserved for debt service	25,605
---------------------------	--------

Reserved for prepaids	115,763
-----------------------	---------

Drug Task Force

Reserved for prepaids	1,989
-----------------------	-------

Building Authority

Reserved for debt service	<u>1,529</u>
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Total Non-Major Funds	<u>171,736</u>
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TOTAL PRIMARY GOVERNMENT	<u>\$ 300,299</u>
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Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

The following are fund balance designations as of December 31, 2007:

PRIMARY GOVERNMENT	
Other Non-Major Funds	
Special Revenue Funds	
Central Dispatch	
Designated for 911 wireless activities	\$ 142,874

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of December 31, 2007:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for capital improvements	
Equipment	\$ 9,779
Restricted for debt service	
Building Authority	1,529
Health Department Building	25,605
Medical Care Facility Building	<u>19,860</u>
	46,994
Restricted for other purposes	
General Government	
Revenue Sharing Reserve	1,866,007
Road Millage	235,466
Register of Deeds - Automation	113,669
County Library	857
Homestead Property Tax	3,132
Public Communications	562
County Services Reserve Fund	<u>231,828</u>
	2,451,521
Judicial	
Friend of the Court	5,855
Family Counseling	29,420
Law Library	8,876
Crime Victim's Rights	<u>3,206</u>
	47,357

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE O: RESTRICTED NET ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Restricted for other purposes - continued

Public Works

Soil Erosion and Sedimentation	\$ 5,005
Environmental Trust	163,042
Solid Waste Grant	3,458
Material Recovery	14,022
Public Improvement	<u>1</u>
	185,528

Public Safety

Drug Task Force	107,902
Hunters Safety	3,008
Local Corrections Training	5,451
Drug Law Enforcement	118,231
Contractual Patrol	11,320
U.S. Marshall	67,537
Sheriff Commissary	38,586
Jail Maintenance	1,764
Central Dispatch	142,874
Secondary Road Patrol	<u>12,049</u>
	508,722

Health and Welfare

Health Department	( 29,896 )
County Ambulance	1,557
Veterans Millage	25,235
Revolving Loan	319,138
Strong Families Project	3,349
Children's Trust	1,543
Child Care Grant	367
DHS	32,751
Michigan Justice Training	1,863
Child Care	56,577
Veterans Trust	763
Maintenance of Effort	130,252
Senior Citizen Council on Aging	12,486
Great Parent/Great Start	65
Brownfield Redevelopment	<u>103,822</u>
	659,872

Recreation and Cultural

Parks and Recreation	197,206
Forester Park Water Fund	<u>15,399</u>
	212,605

4,065,605

TOTAL PRIMARY GOVERNMENT

\$ 4,122,378

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE O: RESTRICTED NET ASSETS - CONTINUED**

COMPONENT UNITS

Restricted for capital improvements

Drainage Districts

Regular Drains

\$ 1,649,653

Maintenance Revolving

111,277

Duff & Branches

381,444

Stone Drain

36,076

2,178,450

Board of Public Works

Brown City Water

11,682

Brown City Arsenic

98,013

Carsonville Water

1

Worth Phase II Water

5,930

115,626

2,294,074

Restricted for debt service

Drainage Districts

Duff & Branches

1,876,083

Regular Drains

1,258,500

Stone Drain

705,557

3,840,140

Board of Public Works

Worth Phase II Water

1,365

Lex. Worth Water

169

1,534

3,841,674

Restricted for other purposes

Road Commission

Restricted for road projects

2,164,309

TOTAL COMPONENT UNITS

\$ 8,300,057

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE P: FUND DEFICIT**

The following funds had an unreserved fund deficit at December 31, 2007.

<u>Fund</u>	<u>Deficit Amount</u>
Primary Government Health Department	\$ 29,896

**NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS**

**PRIMARY GOVERNMENT**

In addition to the pension benefits described in Note H, the County provides post-retirement health care benefits, in accordance with union contracts and board resolution, to elected and appointed officials and to members of certain union groups. The County reimburses 100% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Retirees eligible to participate in the health insurance plan who elect not to participate receive 50% of the annual premium cost in lieu of health coverage.

The County has established an Internal Service Fund to account for funding and payments related to this activity. During the year ended December 31, 2007, the fund had reimbursement and other revenues of \$42,790 and \$14,188 respectively and the County also transferred \$273,094 to this fund. The County paid \$278,239 in expenses related to this activity.

**COMPONENT UNIT**

Sanilac County Road Commission provides hospitalization medical coverage on a complimentary basis for any employee who retires after January 1, 1990, at age 55 with at least thirty years of service. At age 65, the employee receives supplemental coverage for himself or herself only.

For any employee who retires after age 62 and after January 1, 1990, Sanilac County Road Commission provides the retiree and his or her spouse with hospitalization medical coverage, provided however, that if the retiree's spouse, by virtue of his or her employment or otherwise, has the retiree as a covered beneficiary on his or her hospitalization medical coverage, the Road Commission will be under no obligation to provide coverage. At age 65 the retiree and or spouse coverage will be supplemental only.

The benefits are provided based on requirements of union contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2007, Sanilac County Road Commission expended \$414,391 for 66 participants currently eligible to receive benefits.

**UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

**NOTE R: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, which was the result of the correction of accounting errors. These adjustments were reported as changes to beginning fund balance. The effect on operations and other affected balances for the current and prior year is as follows:

	<u>2007</u>	<u>2006</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental funds			
Health Department			
Other revenues	\$ -	\$( 5,750 )	Correction of duplicate
Revenues over (under) expenses	-	( 5,750 )	recording of rent revenue.
Fund balance - beginning	( 5,750 )	-	

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 5,546,500	\$ 5,427,000	\$ 5,537,759	\$ 110,759
Other property taxes	5,500	16,500	16,797	297
Industrial & commercial facilities tax	6,645	16,045	15,783	(262)
Penalties & interest on taxes	2,500	2,500	11,639	9,139
Real estate transfer tax	120,000	120,000	126,382	6,382
Total taxes	5,681,145	5,582,045	5,708,360	126,315
Licenses and permits				
Dog licenses	92,200	92,200	86,224	(5,976)
Inspection and land use permits	320,400	255,400	251,818	(3,582)
Other licenses and permits	5,200	5,200	3,622	(1,578)
Total licenses and permits	417,800	352,800	341,664	(11,136)
Intergovernmental - Federal/State				
Emergency management	17,650	17,650	16,987	(663)
Judges state standardization payment	137,172	137,172	137,898	726
Probate Judge's Salary	102,000	102,000	102,252	252
Juvenile Court Admin. Supplement	27,317	27,317	27,317	-0-
State aid - case flow assistance	10,000	13,400	13,432	32
State grant - court equity	190,000	190,000	191,428	1,428
Cooperative reimbursement - Prosecutor	68,725	50,725	52,189	1,464
MSHDA grant	-	78,347	78,347	-0-
Cigarette tax revenue	24,500	24,500	21,498	(3,002)
Voter registration applications	700	700	681	(19)
Liquor law enforcement	4,200	4,200	4,286	86
Homeland security grant	-	-	(1,887)	(1,887)
Convention facility tax	110,000	3,377	3,377	-0-
Other State revenues	200	50,784	55,153	4,369
Total intergovernmental - Federal/State	692,464	700,172	702,958	2,786



## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services				
Circuit court costs	\$ 22,000	\$ 18,000	\$ 17,025	\$ (975)
District Court services	8,000	11,000	12,374	1,374
District court costs	496,000	466,000	446,682	(19,318)
Prosecuting attorney services	-	450	450	-0-
Register of deeds services	243,200	204,700	204,465	(235)
Register of deeds - technology	70,000	70,000	55,110	(14,890)
General services	153,400	168,851	167,349	(1,502)
County treasurer services	3,000	3,000	2,986	(14)
Circuit court services	23,750	23,750	25,201	1,451
County clerk services	73,000	93,000	94,954	1,954
Probate court services	15,500	15,500	18,835	3,335
Juvenile court services	18,000	13,000	11,388	(1,612)
Animal shelter services	5,800	5,800	3,715	(2,085)
Sheriff department services	91,500	91,646	89,889	(1,757)
Inmate work release	40,000	40,000	38,339	(1,661)
Diverted felons	30,000	30,000	36,497	6,497
Care of prisoners	1,070,000	1,204,138	1,208,477	4,339
Equalization services	1,500	1,500	1,881	381
Data processing services	58,500	58,500	54,171	(4,329)
Other	65,725	96,491	103,369	6,878
Total charges for services	2,488,875	2,615,326	2,593,157	(22,169)
Interest and rents				
Interest on investments	150,000	150,000	149,799	(201)
Rental fees - Mental Health	98,637	53,755	53,756	1
Rental fees - other	12,622	16,222	16,689	467
Total interest and rents	261,259	219,977	220,244	267
Fines and forfeits				
Ordinance fines and costs	19,000	19,000	6,115	(12,885)
Bond forfeitures	15,000	22,350	22,350	-0-
Total fines and forfeits	34,000	41,350	28,465	(12,885)
Other				
Insurance recoveries and refunds	15,000	46,102	46,102	-0-
Reimbursements and refunds	225,775	289,830	296,090	6,260
Total other	240,775	335,932	342,192	6,260
TOTAL REVENUES	9,816,318	9,847,602	9,937,040	89,438

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Environmental Trust	\$ 68,000	\$ 68,000	\$ 68,000	\$ -0-
Revenue Sharing Reserve	847,000	858,125	858,125	-0-
Tax Foreclosure	80,000	83,967	83,967	-0-
Other funds	10,000	100,360	101,636	1,276
Total operating transfers from other funds	1,005,000	1,110,452	1,111,728	1,276
Operating transfers from component units				
Drainage Districts	42,000	42,000	41,256	(744)
TOTAL OTHER FINANCING SOURCES	1,047,000	1,152,452	1,152,984	532
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 10,863,318</u>	<u>\$ 11,000,054</u>	<u>\$ 11,090,024</u>	<u>\$ 89,970</u>

## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Legislative				
Board of Commissioners	\$ 95,110	\$ 97,988	\$ 94,564	\$ 3,424
General government				
Consultant	96,193	96,193	95,134	1,059
Administrator	125,145	125,370	123,665	1,705
Legal	13,500	19,043	19,043	-0-
Election	48,455	58,138	46,810	11,328
Community action	1,500	1,500	942	558
Human Resources	28,189	28,189	28,150	39
Clerk	362,333	356,065	338,901	17,164
Equalization	114,320	108,139	92,578	15,561
Prosecuting Attorney	423,986	425,666	410,415	15,251
Register of Deeds	135,543	138,183	127,906	10,277
Treasurer	227,963	238,272	238,272	-0-
Cooperative extension	161,401	169,350	169,340	10
Courthouse and grounds	214,749	265,597	249,327	16,270
Drain commission	151,921	164,478	162,076	2,402
Total general government	2,105,198	2,194,183	2,102,559	91,624
Judicial				
Adult probation	6,900	6,900	4,103	2,797
Circuit Court	241,306	256,357	248,116	8,241
Circuit Court - Juvenile	220,957	229,264	213,263	16,001
District Court	470,090	475,660	464,404	11,256
Jury Board	5,500	5,500	5,198	302
Probate Court	214,950	217,408	203,377	14,031
Public guardian	61,593	62,774	62,384	390
Total judicial	1,221,296	1,253,863	1,200,845	53,018
Public safety				
Emergency management	46,691	48,154	45,816	2,338
Construction and land use	202,368	207,086	207,086	-0-
Planning commission	1,945	2,274	2,166	108
Animal control	167,061	193,801	193,801	-0-
Sheriff department	-	3,089,827	3,075,684	14,143
Total public safety	418,065	3,541,142	3,524,553	16,589
Public works				
Department of public works	8,700	9,481	9,481	-
Drains - County at large	200,000	200,000	199,771	229
Total public works	208,700	209,481	209,252	229

## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Health and welfare				
Contagious Disease	\$ 5,000	\$ 58,000	\$ 58,105	\$ (105)
Mental Health	250,100	205,219	205,219	-0-
MSHDA housing program	-	78,347	78,347	-0-
Medical examiners	30,967	34,835	34,835	-
Total health and welfare	286,067	376,401	376,506	(105)
Other				
Fringe benefits	349,917	358,145	313,384	44,761
Contingencies	369,361	290,161	-	290,161
Total other	719,278	648,306	313,384	334,922
TOTAL EXPENDITURES	5,053,714	8,321,364	7,821,663	499,701
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of the Court Fund	96,919	128,045	107,034	21,011
Workers Compensation Fund	105,900	105,982	79,448	26,534
Insurance Fund	1,298,400	1,304,552	1,049,130	255,422
Employee Health Care Fund	418,352	418,352	271,676	146,676
Law Library Fund	30,000	30,000	15,000	15,000
Data Processing Fund	210,040	210,939	161,319	49,620
Building Authority - Jail Building Debt Fund	104,563	104,563	104,560	3
Health Department Fund	221,495	172,267	177,697	(5,430)
Child Care - F.I.A. Fund	37,400	90,000	63,700	26,300
Child Care - Probate Court Fund	416,071	416,071	293,035	123,036
Sheriff Fund	3,018,500	11,424	11,424	-0-
F.I.A Administration Fund	2,500	2,500	2,500	-0-
Mail Department Fund	3,309	3,309	2,268	1,041
ROD Automation Fund	70,000	70,000	54,845	15,155
Accumulated Benefits Fund	60,000	60,000	30,000	30,000
Police Vehicle Fund	60,000	60,000	57,490	2,510
Central Dispatch Fund	221,956	221,956	221,956	-0-
County Services Reserve Fund	100,000	100,000	100,000	-0-
Other Funds	14,200	8,564	8,564	-0-
TOTAL OTHER FINANCING USES	6,489,605	3,518,524	2,811,646	706,878
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$11,543,319	\$11,839,888	\$10,633,309	\$ 1,206,579

Sanilac County, Michigan

Road Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 2,610,200	\$ 2,610,200	\$ 2,606,902	\$ (3,298)
Interest and rents	25,500	57,500	60,584	3,084
TOTAL REVENUES	2,635,700	2,667,700	2,667,486	(214)
EXPENDITURES				
Current				
Public Works	2,633,200	2,665,200	2,433,373	231,827
EXCESS OF REVENUES OVER EXPENDITURES	2,500	2,500	234,113	231,613
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-0-
Operating transfers out	(2,500)	(2,500)	-	2,500
TOTAL OTHER FINANCING SOURCES (USES)	(2,500)	(2,500)	-0-	2,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	234,113	234,113
Fund balances, beginning of year	1,351	1,351	1,351	-0-
Fund balances, end of year	<u>\$ 1,351</u>	<u>\$ 1,351</u>	<u>\$ 235,464</u>	<u>\$ 234,113</u>

Sanilac County, Michigan

Health Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and permits	\$ 160,000	\$ 117,281	\$ 125,767	\$ 8,486
Charges for services	305,000	352,844	404,825	51,981
Interest and Rents	97,204	-	-	-
Intergovernmental	1,156,656	1,185,939	1,401,062	215,123
Other	15,000	28,838	60,453	31,615
TOTAL REVENUES	1,733,860	1,684,902	1,992,107	307,205
EXPENDITURES				
Current				
Health and welfare	1,819,851	1,828,449	2,173,295	(344,846)
Capital outlay	38,009	39,999	16,624	23,375
TOTAL EXPENDITURES	1,857,860	1,868,448	2,189,919	(321,471)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(124,000)	(183,546)	(197,812)	(14,266)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	124,000	173,760	176,590	2,830
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(9,786)	(21,222)	(11,436)
Fund balance (deficit), beginning of year	(478)	(478)	(478)	-0-
Prior period adjustment	-0-	-0-	(5,750)	(5,750)
Fund balance (deficit), end of year	\$ (478)	\$ (10,264)	\$ (27,450)	\$ (17,186)

Sanilac County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest and Rents	7,000	7,000	54,261	47,261
TOTAL REVENUES	7,000	7,000	54,261	47,261
EXPENDITURES	1,821,450	1,810,325	-	1,810,325
EXCESS OF REVENUES OVER EXPENDITURES	(1,814,450)	(1,803,325)	54,261	(1,763,064)
OTHER FINANCING (USES)				
Operating transfers out	(847,000)	(858,125)	(858,125)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(2,661,450)	(2,661,450)	(803,864)	(1,763,064)
Fund balance, beginning of year	2,669,871	2,669,871	2,669,871	-0-
Fund balance, end of year	\$ 8,421	\$ 8,421	\$ 1,866,007	\$ (1,763,064)

## **OTHER SUPPLEMENTARY INFORMATION**



## Sanilac County, Michigan

## Non-major Governmental Funds

## COMBINING BALANCE SHEET

December 31, 2007

		Special	
	County	County Services	Friend of
	Ambulance	Reserve Fund	the Court
ASSETS			
Cash and cash equivalents	\$ 23,683	\$ 231,828	\$ (56,425)
Accounts receivable	-	-	-
Taxes receivable	269,226	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	2,942
Due from other funds	-	-	-
Due from other governmental units	-	-	44,520
Due from other individuals and agencies	-	-	28,907
TOTAL ASSETS	<u>\$ 292,909</u>	<u>\$ 231,828</u>	<u>\$ 19,944</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	-	-	257
Accrued payroll	-	-	5,983
Other accrued liabilities	-	-	-
Due to other funds	-	-	4,907
Advance from State	-	-	-
Deferred revenue	<u>291,352</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	291,352	-0-	11,147
FUND BALANCES			
Reserved for			
Inventory and prepaids	-	-	2,942
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	1,557	231,828	5,855
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1,557</u>	<u>231,828</u>	<u>8,797</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 292,909</u>	<u>\$ 231,828</u>	<u>\$ 19,944</u>

Revenue				
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust
\$ 29,420	\$ 107,219	\$ 3,132	\$ 5,136	\$ 119,350
-	18,005	-	-	43,692
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	32,449	-	-	-
-	-	-	-	-
<u>\$ 29,420</u>	<u>\$ 157,673</u>	<u>\$ 3,132</u>	<u>\$ 5,136</u>	<u>\$ 163,042</u>
-	2,014	-	-	-
-	12,785	-	131	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	14,799	-0-	131	-0-
-	-	-	-	-
-	-	-	-	-
-	142,874	-	-	-
29,420	-	3,132	5,005	163,042
-	-	-	-	-
<u>29,420</u>	<u>142,874</u>	<u>3,132</u>	<u>5,005</u>	<u>163,042</u>
<u>\$ 29,420</u>	<u>\$ 157,673</u>	<u>\$ 3,132</u>	<u>\$ 5,136</u>	<u>\$ 163,042</u>

## Sanilac County, Michigan

## Non-major Governmental Funds

## COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Solid Waste Grant	Special Material Recovery	Sanilac Transportation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,458	\$ 11,348	\$ -
Accounts receivable	-	3,994	26,744
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Due from other individuals and agencies	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,458</b>	<b>\$ 15,342</b>	<b>\$ 26,744</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	-	900	-
Accrued payroll	-	420	-
Other accrued liabilities	-	-	26,744
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>1,320</b>	<b>26,744</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	3,458	14,022	-
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,458</b>	<b>14,022</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,458</b>	<b>\$ 15,342</b>	<b>\$ 26,744</b>

Revenue				
Public Communications	Hunter's Safety	Public Improvement	Reg. of Deeds- Automation	Veterans Millage
\$ 562	\$ 3,008	\$ 1	\$ 113,926	\$ 42,545
-	-	-	-	150
-	-	-	-	168,349
-	-	-	-	-
-	-	-	-	689
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 562</u>	<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 113,926</u>	<u>\$ 211,733</u>
-	-	-	257	2,190
-	-	-	-	1,442
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	182,177
-0-	-0-	-0-	257	185,809
-	-	-	-	689
-	-	-	-	-
-	-	-	-	-
562	3,008	1	113,669	25,235
-	-	-	-	-
<u>562</u>	<u>3,008</u>	<u>1</u>	<u>113,669</u>	<u>25,924</u>
<u>\$ 562</u>	<u>\$ 3,008</u>	<u>\$ 1</u>	<u>\$ 113,926</u>	<u>\$ 211,733</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Law Enforcement	Special C.O.P.S. Grant	Local Corrections Training
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 5,790
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Due from other individuals and agencies	-	-	5
<b>TOTAL ASSETS</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,795</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 344
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-0-</u>	<u>-0-</u>	<u>344</u>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	5,451
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-0-</u>	<u>-0-</u>	<u>5,451</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,795</u>

Revenue					
Drug Law Enforcement	Secondary Road Patrol	Contractual Patrol	U.S. Marshall	Law Library	County Library
\$ 118,231	\$ (20,650)	\$ (10,121)	\$ 34,147	\$ 10,854	\$ 22,640
-	-	23,057	-	-	-
-	-	-	-	-	263,909
-	-	-	-	-	-
-	1,067	-	-	-	-
-	-	-	-	-	-
-	78,431	-	34,726	-	-
-	-	-	-	-	-
<u>\$ 118,231</u>	<u>\$ 58,848</u>	<u>\$ 12,936</u>	<u>\$ 68,873</u>	<u>\$ 10,854</u>	<u>\$ 286,549</u>
\$ -	\$ 165	\$ -	\$ 202	\$ 1,978	\$ -
-	1,797	1,616	1,134	-	-
-	43,770	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	285,692
-0-	45,732	1,616	1,336	1,978	285,692
-	1,067	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
118,231	12,049	11,320	67,537	8,876	857
-	-	-	-	-	-
<u>118,231</u>	<u>13,116</u>	<u>11,320</u>	<u>67,537</u>	<u>8,876</u>	<u>857</u>
<u>\$ 118,231</u>	<u>\$ 58,848</u>	<u>\$ 12,936</u>	<u>\$ 68,873</u>	<u>\$ 10,854</u>	<u>\$ 286,549</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Crime Victims Rights	Special Remonumentation Program	Byrne Memorial
<b>ASSETS</b>			
Cash and cash equivalents	\$ (9,239)	\$ (68,957)	\$ -
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	26	-	-
Due from other funds	-	-	-
Due from other governmental units	13,162	68,957	-
Due from other individuals and agencies	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,949</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	717	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>717</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	26	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	3,206	-	-
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,232</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,949</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

Revenue					
Revolving Loan	Great Parents Great Start	Strong Families Project	Children's Trust	Michigan Justice Training	Child Care Grant
\$ 194,605	\$ (2,118)	\$ 5,879	\$ 6,539	\$ 1,863	\$ 367
-	-	-	-	-	-
-	-	-	-	-	-
124,535	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7,689	930	-	-	-
-	-	-	-	-	-
<u>\$ 319,140</u>	<u>\$ 5,571</u>	<u>\$ 6,809</u>	<u>\$ 6,539</u>	<u>\$ 1,863</u>	<u>\$ 367</u>
\$ -	5,506	\$ 3,460	\$ 4,996	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,535	-	-	-	-	-
<u>124,535</u>	<u>5,506</u>	<u>3,460</u>	<u>4,996</u>	<u>-0-</u>	<u>-0-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
194,605	65	3,349	1,543	1,863	367
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>194,605</u>	<u>65</u>	<u>3,349</u>	<u>1,543</u>	<u>1,863</u>	<u>367</u>
<u>\$ 319,140</u>	<u>\$ 5,571</u>	<u>\$ 6,809</u>	<u>\$ 6,539</u>	<u>\$ 1,863</u>	<u>\$ 367</u>



## Sanilac County, Michigan

## Non-major Governmental Funds

## COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	F.I.A.	Special Child Care	Veterans Trust
<b>ASSETS</b>			
Cash and cash equivalents	\$ 59,584	\$ 78,125	\$ 763
Accounts receivable	-	953	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	239	-
Due from other funds	-	-	-
Due from other governmental units	10,617	8,947	-
Due from other individuals and agencies	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 70,201</b>	<b>\$ 88,264</b>	<b>\$ 763</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,450	\$ 30,789	\$ -
Accrued payroll	-	659	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	33,000	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>37,450</b>	<b>31,448</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	239	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	32,751	56,577	763
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>32,751</b>	<b>56,816</b>	<b>763</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 70,201</b>	<b>\$ 88,264</b>	<b>\$ 763</b>

Revenue					
Maintenance of Effort	Parks and Recreation	Forester Park Water Fund	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
\$ 186,196	\$ 226,469	\$ 15,399	\$ 39,679	\$ 1,764	\$ 34,613
-	-	-	3,707	-	-
269,207	273,048	-	-	-	269,240
-	-	-	-	-	-
-	2,027	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 455,403</u>	<u>\$ 501,544</u>	<u>\$ 15,399</u>	<u>\$ 43,386</u>	<u>\$ 1,764</u>	<u>\$ 303,853</u>
\$ 33,818	\$ 1,390	\$ -	\$ 4,800	\$ -	\$ -
-	3,374	-	-	-	-
-	2,056	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
291,333	295,491	-	-	-	291,367
325,151	302,311	-0-	4,800	-0-	291,367
-	2,027	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
130,252	197,206	15,399	38,586	1,764	12,486
-	-	-	-	-	-
<u>130,252</u>	<u>199,233</u>	<u>15,399</u>	<u>38,586</u>	<u>1,764</u>	<u>12,486</u>
<u>\$ 455,403</u>	<u>\$ 501,544</u>	<u>\$ 15,399</u>	<u>\$ 43,386</u>	<u>\$ 1,764</u>	<u>\$ 303,853</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2007

	Special Revenue		Capital Project
	Brownfield Redevelopment	Drug Task Force	Equipment
<b>ASSETS</b>			
Cash and cash equivalents	\$ 103,822	\$ 173,916	\$ 10,179
Accounts receivable	-	-	-
Taxes receivable	29,933	682,620	-
Loans receivable	-	-	-
Prepaid expenditures	-	1,989	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Due from other individuals and agencies	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 133,755</b>	<b>\$ 858,525</b>	<b>\$ 10,179</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	-	\$ 2,611	\$ 400
Accrued payroll	-	7,276	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	29,933	738,747	-
<b>TOTAL LIABILITIES</b>	<b>29,933</b>	<b>748,634</b>	<b>400</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	1,989	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	103,822	107,902	-
Capital projects funds	-	-	9,779
<b>TOTAL FUND BALANCES</b>	<b>103,822</b>	<b>109,891</b>	<b>9,779</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 133,755</b>	<b>\$ 858,525</b>	<b>\$ 10,179</b>

Debt Service				Total
Medical Care Facility	Health Department	Jail Building Fund	Building Authority	Non-major Gov. Funds
\$ 19,860	\$ 25,880	\$ -	\$ 1,529	\$ 1,905,799
-	-	-	-	120,302
-	-	-	-	2,225,532
-	-	-	-	124,535
-	115,763	-	-	124,742
-	-	-	-	-
-	-	-	-	300,428
-	-	-	-	28,912
<u>\$ 19,860</u>	<u>\$ 141,643</u>	<u>\$ -0-</u>	<u>\$ 1,529</u>	<u>\$ 4,830,250</u>
\$ -	\$ 275	\$ -	\$ -	\$ 100,802
-	-	-	-	37,334
-	-	-	-	72,570
-	-	-	-	4,907
-	-	-	-	33,000
-	-	-	-	2,530,627
-0-	275	-0-	-0-	2,779,240
-	115,763	-	-	124,742
19,860	25,605	-	1,529	46,994
-	-	-	-	142,874
-	-	-	-	1,726,621
-	-	-	-	9,779
<u>19,860</u>	<u>141,368</u>	<u>-0-</u>	<u>1,529</u>	<u>2,051,010</u>
<u>\$ 19,860</u>	<u>\$ 141,643</u>	<u>\$ -0-</u>	<u>\$ 1,529</u>	<u>\$ 4,830,250</u>

## Sanilac County, Michigan

## Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special		
	County Ambulance	County Services Reserve Fund	Friend of the Court
REVENUES			
Taxes	\$ 256,880	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	389,294
Charges for services	-	-	53,406
Fines and forfeits	-	-	-
Interest and rents	6,619	-	-
Other	-	-	-
TOTAL REVENUES	263,499	-0-	442,700
EXPENDITURES			
Current			
Judicial	-	-	543,364
Public safety	-	-	-
Public works	-	-	-
Health and welfare	263,528	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	263,528	-0-	543,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29)	-0-	(100,664)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	100,000	107,034
Operating transfers out	-	-	(7,374)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	100,000	99,660
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(29)	100,000	(1,004)
Fund balances, beginning of year	1,586	131,828	9,801
Fund balances, end of year	\$ 1,557	\$ 231,828	\$ 8,797

Revenue				
Family Counseling	Central Dispatch	Homestead Property Tax	Soil Erosion/ Sedimentation	Environmental Trust
\$ -	\$ -	\$ -	\$ -	\$ -
4,495	-	-	17,590	-
-	32,175	-	-	-
-	336,892	-	-	219,433
-	-	-	-	-
-	16,635	3,126	-	-
-	8	-	-	-
4,495	385,710	3,126	17,590	219,433
6,674	-	-	-	-
-	650,201	-	-	-
-	-	-	16,341	39,808
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,674	650,201	-0-	16,341	39,808
(2,179)	(264,491)	3,126	1,249	179,625
-	221,956	-	-	-
-	(9,912)	(170)	(275)	(73,000)
-0-	212,044	(170)	(275)	(73,000)
(2,179)	(52,447)	2,956	974	106,625
31,599	195,321	176	4,031	56,417
\$ 29,420	\$ 142,874	\$ 3,132	\$ 5,005	\$ 163,042

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Solid Waste Grant	Material Recovery	Sanilac Transportation
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	16,000	611,171
Charges for services	-	62,460	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	78,460	611,171
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	100	-	-
Health and welfare	-	82,777	611,171
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	100	82,777	611,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100)	(4,317)	-0-
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(100)	(4,317)	-0-
Fund balances, beginning of year	3,558	18,339	-
Fund balances, end of year	\$ 3,458	\$ 14,022	\$ -0-

Revenue				
Public Communications	Hunter's Safety	Public Improvement	Reg. of Deeds- Automation	Veterans Millage
\$ -	\$ -	\$ -	\$ -	\$ 160,582
-	-	-	-	-
-	-	-	-	-
-	-	-	-	89
-	-	-	-	-
-	-	-	4,798	3,777
-	-	-	-	309
-0-	-0-	-0-	4,798	164,757
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	149,312
-	-	-	-	-
-	-	-	4,673	-
-0-	-0-	-0-	4,673	149,312
-0-	-0-	-0-	125	15,445
-	-	-	54,845	1,000
-	-	-	(27,384)	(1,563)
-0-	-0-	-0-	27,461	(563)
-	-	-	27,586	14,882
562	3,008	1	86,083	11,042
\$ 562	\$ 3,008	\$ 1	\$ 113,669	\$ 25,924



Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Law Enforcement	C.O.P.S. Grant	Local Corrections Training
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	13,335
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	-0-	13,335
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	11,052
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	15	-	-
TOTAL EXPENDITURES	15	-0-	11,052
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15)	-0-	2,283
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	(4,405)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(4,405)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(15)	(4,405)	2,283
Fund balances, beginning of year	15	4,405	3,168
Fund balances, end of year	\$ -0-	\$ -0-	\$ 5,451

Revenue

Drug Law Enforcement	Secondary Road Patrol	Contractual Patrol	U.S. Marshall	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 251,852
-	-	-	-	-	-
-	157,545	112,737	210,345	-	-
12,000	-	-	-	-	-
23,645	-	-	-	4,500	4,307
5,662	-	-	-	-	-
-	-	-	-	-	-
41,307	157,545	112,737	210,345	4,500	256,159
-	-	-	-	17,453	-
-	165,115	106,216	168,753	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	258,098
-	-	-	-	-	-
-0-	165,115	106,216	168,753	17,453	258,098
41,307	(7,570)	6,521	41,592	(12,953)	(1,939)
-	19,988	-	-	15,000	-
(12,165)	(2,190)	-	(41,000)	-	-
(12,165)	17,798	-0-	(41,000)	15,000	-0-
29,142	10,228	6,521	592	2,047	(1,939)
89,089	2,888	4,799	66,945	6,829	2,796
\$ 118,231	\$ 13,116	\$ 11,320	\$ 67,537	\$ 8,876	\$ 857

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	Crime Victims Rights	Remonumentation Program	Byrne Memorial
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	52,279	114,929	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	52,279	114,929	-0-
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	48,758	-	-
Public works	-	-	-
Health and welfare	-	106,884	-
Recreation and cultural	-	-	-
Capital outlay	-	-	4,857
TOTAL EXPENDITURES	48,758	106,884	4,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,521	8,045	(4,857)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(2,301)	(8,045)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,301)	(8,045)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,220	-0-	(4,857)
Fund balances, beginning of year	2,012	-	4,857
Fund balances, end of year	\$ 3,232	\$ -0-	\$ -0-

Revenue					
Revolving Loan	Great Parents Great Start	Strong Families Project	Children's Trust	Michigan Justice Training	Child Care Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	27,981	30,910	91,531	4,739	2,859
-	-	-	-	-	-
-	-	-	-	-	-
14,007	-	-	-	-	-
36,724	-	-	-	-	-
50,731	27,981	30,910	91,531	4,739	2,859
-	-	-	-	2,876	-
-	-	-	-	-	-
-	-	-	-	-	-
288,447	27,978	37,354	91,784	-	5,881
-	-	-	-	-	-
-	-	-	-	-	-
288,447	27,978	37,354	91,784	2,876	5,881
(237,716)	3	(6,444)	(253)	1,863	(3,022)
-	-	-	-	-	-
-	-	-	(248)	-	-
-0-	-0-	-0-	(248)	-0-	-0-
(237,716)	3	(6,444)	(501)	1,863	(3,022)
432,321	62	9,793	2,044	-	3,389
\$ 194,605	\$ 65	\$ 3,349	\$ 1,543	\$ 1,863	\$ 367

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special		
	DHS	Child Care	Veterans Trust
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	281,230	49,717	22,735
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	26,606	36,925	-
TOTAL REVENUES	307,836	86,642	22,735
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	376,105	423,102	21,905
Recreation and cultural	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	376,105	423,102	21,905
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(68,269)	(336,460)	830
OTHER FINANCING SOURCES (USES)			
Operating transfers in	66,200	293,035	-
Operating transfers out	-	-	(1,000)
TOTAL OTHER FINANCING SOURCES (USES)	66,200	293,035	(1,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,069)	(43,425)	(170)
Fund balances, beginning of year	34,820	100,241	933
Fund balances, end of year	\$ 32,751	\$ 56,816	\$ 763

Revenue

Maintenance of Effort	Parks and Recreation	Forester Park Water Fund	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
\$ 256,923	\$ 260,574	\$ -	\$ -	\$ -	\$ 256,923
-	-	-	-	-	-
-	-	-	-	-	-
-	266,290	3,800	140,167	-	-
-	-	-	-	-	-
11,270	12,062	-	40	-	4,561
-	4,565	-	2,559	-	-
268,193	543,491	3,800	142,766	-0-	261,484
-	-	-	-	-	-
-	-	-	50,141	-	-
-	-	-	-	-	-
171,689	-	-	-	-	262,754
-	408,786	1,955	-	-	-
-	40,919	-	-	-	-
171,689	449,705	1,955	50,141	-0-	262,754
96,504	93,786	1,845	92,625	-0-	(1,270)
-	-	-	-	-	-
(50,000)	-	-	(69,995)	-	-
(50,000)	-0-	-0-	(69,995)	-0-	-0-
46,504	93,786	1,845	22,630	-0-	(1,270)
83,748	105,447	13,554	15,956	1,764	13,756
\$ 130,252	\$ 199,233	\$ 15,399	\$ 38,586	\$ 1,764	\$ 12,486

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2007

	Special Revenue		Capital Project
	Brownfield Redevelopment	Drug Task Force	Equipment
REVENUES			
Taxes	\$ 37,156	\$ 651,588	\$ -
Licenses and permits	3,438	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	3,851	14,545	-
Other	-	49	-
TOTAL REVENUES	44,445	666,182	-0-
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	523	602,336	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	46,646
Debt Service			
Principal redemption	7,517	-	-
Interest and fiscal charges	1,873	-	-
TOTAL EXPENDITURES	9,913	602,336	46,646
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	34,532	63,846	(46,646)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	12,165	-
Operating transfers out	-	(40,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(28,335)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	34,532	35,511	(46,646)
Fund balances, beginning of year	69,290	74,380	56,425
Fund balances, end of year	\$ 103,822	\$ 109,891	\$ 9,779

Debt Service				Total Non-major Governmental Funds
Medical Care Facility	Health Department	Jail Building Fund	Building Authority	
\$ -	\$ -	\$ -	\$ -	\$ 2,132,478
-	-	-	-	25,523
-	-	-	-	2,208,177
-	-	-	-	1,107,872
-	-	-	-	32,452
98,772	139,233	-	-	338,958
-	-	-	-	107,745
98,772	139,233	-0-	-0-	5,953,205
-	-	-	-	570,367
-	-	-	-	1,803,095
-	-	-	-	56,249
-	-	-	-	2,920,671
-	-	-	-	668,839
-	96	-	-	97,206
45,000	95,000	70,000	-	217,517
53,048	33,838	34,563	-	123,322
98,048	128,934	104,563	-0-	6,457,266
724	10,299	(104,563)	-	(504,061)
-	-	104,560	-	995,783
-	-	-	-	(351,527)
-0-	-0-	104,560	-0-	644,256
724	10,299	(3)	-0-	140,195
19,136	131,069	3	1,529	1,910,815
\$ 19,860	\$ 141,368	\$ -0-	\$ 1,529	\$ 2,051,010



Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Delinquent Tax 2004	Delinquent Tax 2007	Tax Administrative
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 38,807	\$ 83,711
Taxes receivable - delinquent	-	196,879	-
Due from other governmental units	-	30	1,500
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 235,716</u>	<u>\$ 85,211</u>
LIABILITIES			
Current liabilities			
Due to other funds	\$ -	\$ 226,000	\$ -
Due to other governmental units	-	30	-
Total current liabilities	<u>-0-</u>	<u>226,030</u>	<u>-0-</u>
NET ASSETS			
Unrestricted	<u>\$ -0-</u>	<u>\$ 9,686</u>	<u>\$ 85,211</u>

See accompanying notes to financial statements.

Tax Foreclosure Proceeds	Total
\$ 665,449	\$ 787,967
-	196,879
-	1,530
<u>\$ 665,449</u>	<u>\$ 986,376</u>

\$ 10	\$ 226,010
10	40
<u>20</u>	<u>226,050</u>
<u>\$ 665,429</u>	<u>\$ 760,326</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Delinquent Tax 2004	Delinquent Tax 2007	Tax Administrative
OPERATING REVENUES			
Interest on taxes	\$ 54,758	\$ -	\$ -
Sales	53,964	-	-
Administrative fees	49,810	5,342	-
TOTAL OPERATING REVENUES	158,532	5,342	-0-
OPERATING EXPENSES			
Fringe benefits	35	-	-
Supplies	114	-	1,375
Other	11,744	-	8,177
TOTAL OPERATING EXPENSES	11,893	-0-	9,552
OPERATING INCOME (LOSS)	146,639	5,342	(9,552)
NON-OPERATING REVENUES (EXPENSES)			
Reimbursements	-	-	1,500
Interest revenue	36,715	4,346	4,299
Interest expense	(139)	(2)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	36,576	4,344	5,799
INCOME (LOSS) BEFORE TRANSFERS IN (OUT)	183,215	9,686	(3,753)
TRANSFERS IN (OUT)			
Operating transfers in	-	-	-
Operating transfers out	(845,074)	-	(3,114)
TOTAL TRANSFERS IN (OUT)	(845,074)	-0-	(3,114)
CHANGE IN NET ASSETS	(661,859)	9,686	(6,867)
Net assets, beginning of year	661,859	-0-	92,078
Net assets, end of year	\$ -0-	\$ 9,686	\$ 85,211

See accompanying notes to financial statements.

<u>Tax Foreclosure Proceeds</u>	<u>Total</u>
\$ 30,055	\$ 84,813
-	53,964
<u>1,152</u>	<u>56,304</u>
31,207	195,081
-	35
1,179	2,668
<u>31</u>	<u>19,952</u>
1,210	22,655
29,997	172,426
-	1,500
-	45,360
<u>-</u>	<u>(141)</u>
<u>-0-</u>	<u>46,719</u>
29,997	219,145
145,959	145,959
<u>(86,996)</u>	<u>(935,184)</u>
58,963	(789,225)
88,960	(570,080)
<u>576,469</u>	<u>1,330,406</u>
<u>\$ 665,429</u>	<u>\$ 760,326</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Delinquent Tax 2004	Delinquent Tax 2007	Tax Administrative
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 333,684	\$ (191,567)	\$ -
Cash paid to suppliers	(14,117)	226,030	(9,552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	319,567	34,463	(9,552)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interest expense	(139)	(2)	-
Transfers to other funds	(845,074)	-	(3,114)
Transfers from other funds	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(845,213)	(2)	(3,114)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	36,715	4,346	4,299
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(488,931)	38,807	(8,367)
Cash and cash equivalents, beginning of year	488,931	-	92,078
Cash and cash equivalents, end of year	\$ -0-	\$ 38,807	\$ 83,711
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 146,639	\$ 5,342	\$ (9,552)
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) Decrease in receivables	155,313	(196,879)	-
(Increase) Decrease in due from government units	19,747	(30)	-
(Increase) Decrease in due from other funds	92	-	-
Increase (Decrease) in due to government units	-	30	-
Increase (Decrease) in due to other funds	(2,074)	226,000	-
Increase (Decrease) in accrued liabilities	(150)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 319,567	\$ 34,463	\$ (9,552)

<u>Tax Foreclosure Proceeds</u>	<u>Total</u>
\$ 31,207	\$ 173,324
(141,493)	60,868
(110,286)	234,192
-	(141)
(86,996)	(935,184)
145,959	145,959
58,963	(789,366)
-	45,360
(51,323)	(509,814)
716,772	1,297,781
<u>\$ 665,449</u>	<u>\$ 787,967</u>
\$ 29,997	\$ 172,426
-	(41,566)
-	19,717
-	92
10	40
(140,293)	83,633
-	(150)
<u>\$ (110,286)</u>	<u>\$ 234,192</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

Year Ended December 31, 2007

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 5,009	\$ 656	\$ 141,188	\$ 3,661
Accounts receivable	-	-	-	9
Due from other funds	-	-	-	60
Due from other governmental units	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory	-	4,300	1,395	2,805
Total current assets	5,009	4,956	142,583	6,535
Fixed assets				
Land	64,000	-	-	-
Buildings and improvements	141,733	-	-	-
Equipment	-	-	1,627,717	-
Vehicles	-	-	-	-
Less: accumulated depreciation	(68,921)	-	(1,510,907)	-
Net fixed assets	136,812	-0-	116,810	-0-
<b>TOTAL ASSETS</b>	<b>\$ 141,821</b>	<b>\$ 4,956</b>	<b>\$ 259,393</b>	<b>\$ 6,535</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ -	\$ -	\$ 214	\$ -
Accrued payroll	-	-	-	-
Total current liabilities	-0-	-0-	214	-0-
Long-term liabilities				
Capital leases payable	-	-	-	-
Advances from other funds	-	-	-	-
Total long-term liabilities	-0-	-0-	-0-	-0-
<b>TOTAL LIABILITIES</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 214</b>	<b>\$ -0-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 136,812	\$ -	\$ 116,810	\$ -
Unrestricted	5,009	4,956	142,369	6,535
<b>TOTAL NET ASSETS</b>	<b>\$ 141,821</b>	<b>\$ 4,956</b>	<b>\$ 259,179</b>	<b>\$ 6,535</b>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Health Care	Total
\$ 44,877	\$ 13,524	\$ 33,835	\$ 27,985	\$ 17,273	\$ 122,325	\$ 410,333
554	-	1,506	-	18,082	1,756	21,907
-	-	-	-	2	54,907	54,969
3,466	-	-	-	-	-	3,466
-	-	54,429	-	-	14,221	68,650
-	-	-	-	-	-	8,500
48,897	13,524	89,770	27,985	35,357	193,209	567,825
-	-	-	-	-	-	64,000
-	-	-	-	-	-	141,733
39,589	-	-	-	-	-	1,667,306
256,079	479,176	-	-	-	-	735,255
(220,522)	(230,531)	-	-	-	-	(2,030,881)
75,146	248,645	-0-	-0-	-0-	-0-	577,413
<u>\$ 124,043</u>	<u>\$ 262,169</u>	<u>\$ 89,770</u>	<u>\$ 27,985</u>	<u>\$ 35,357</u>	<u>\$ 193,209</u>	<u>\$ 1,145,238</u>
\$ 757	\$ -	\$ 38,408	\$ -	\$ 16,223	\$ 4,576	\$ 60,178
60	-	-	-	-	-	60
817	-0-	38,408	-0-	16,223	4,576	60,238
29,424	79,264	-	-	-	-	108,688
-	-	-	-	-	333	333
29,424	79,264	-0-	-0-	-0-	333	109,021
<u>\$ 30,241</u>	<u>\$ 79,264</u>	<u>\$ 38,408</u>	<u>\$ -0-</u>	<u>\$ 16,223</u>	<u>\$ 4,909</u>	<u>\$ 169,259</u>
\$ 45,722	\$ 169,381	\$ -	\$ -	\$ -	\$ -	\$ 468,725
48,080	13,524	51,362	27,985	19,134	188,300	507,254
<u>\$ 93,802</u>	<u>\$ 182,905</u>	<u>\$ 51,362</u>	<u>\$ 27,985</u>	<u>\$ 19,134</u>	<u>\$ 188,300</u>	<u>\$ 975,979</u>



Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2007

	Buildings and Grounds	Central Stores	Data Processing	Mail Department
OPERATING REVENUES				
Charges for services	\$ -	\$ 12,455	\$ -	\$ 50,990
Reimbursements	-	62	9,882	95
Other revenue	-	-	-	-
TOTAL OPERATING REVENUES	-0-	12,517	9,882	51,085
OPERATING EXPENSES				
Salaries	-	-	-	-
Fringe benefits	-	-	-	-
Operating supplies	-	12,926	36	54,370
Contractual services	-	-	211,067	-
Depreciation	4,725	-	43,411	-
Other	-	-	-	-
TOTAL OPERATING EXPENSES	4,725	12,926	254,514	54,370
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(4,725)	(409)	(244,632)	(3,285)
TRANSFERS IN (OUT)				
Transfers in	-	-	238,716	2,268
Transfers out	-	-	-	-
TOTAL TRANSFERS IN (OUT)	-0-	-0-	238,716	2,268
CHANGE IN NET ASSETS	(4,725)	(409)	(5,916)	(1,017)
Net assets, beginning of year	146,546	5,365	265,095	7,552
Net assets, end of year	\$ 141,821	\$ 4,956	\$ 259,179	\$ 6,535

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 192,948	\$ 24,800	\$ -	\$ -	\$ -	\$ -	\$ 281,193
45,755	-	122,735	-	69,402	42,790	290,721
868	8,500	-	-	-	14,188	23,556
239,571	33,300	122,735	-0-	69,402	56,978	595,470
2,650	-	-	-	-	-	2,650
777	-	1,221,073	27,918	141,407	278,236	1,669,411
146,433	-	-	-	-	-	213,765
10,517	10,407	-	-	-	-	231,991
27,932	88,219	-	-	-	-	164,287
29,713	14,362	-	-	-	-	44,075
218,022	112,988	1,221,073	27,918	141,407	278,236	2,326,179
21,549	(79,688)	(1,098,338)	(27,918)	(72,005)	(221,258)	(1,730,709)
6,952	144,320	1,049,130	30,000	79,448	273,094	1,823,928
(43,360)	-	-	-	-	-	(43,360)
(36,408)	144,320	1,049,130	30,000	79,448	273,094	1,780,568
(14,859)	64,632	(49,208)	2,082	7,443	51,836	49,859
108,661	118,273	100,570	25,903	11,691	136,464	926,120
<u>\$ 93,802</u>	<u>\$ 182,905</u>	<u>\$ 51,362</u>	<u>\$ 27,985</u>	<u>\$ 19,134</u>	<u>\$ 188,300</u>	<u>\$ 975,979</u>

## Sanilac County, Michigan

## Internal Service Funds

## COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Building and Grounds	Central Stores	Data Processing	Mail Department
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from users	\$ -	\$ 12,517	\$ 110,532	\$ 53,162
Cash paid to suppliers	-	(12,393)	(315,365)	(54,822)
Cash paid for employee benefits	-	-	-	-
Cash paid for employee wages	-	-	-	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>-0-</b>	<b>124</b>	<b>(204,833)</b>	<b>(1,660)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	238,716	2,268
Transfers out	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>238,716</b>	<b>2,268</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital lease proceeds	-	-	-	-
Payments on capital leases	-	-	-	-
Capital purchases	-	-	(31,424)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>(31,424)</b>	<b>-0-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-0-</b>	<b>124</b>	<b>2,459</b>	<b>608</b>
Cash and cash equivalents, beginning of year	5,009	532	138,729	3,053
Cash and cash equivalents, end of year	<u>\$ 5,009</u>	<u>\$ 656</u>	<u>\$ 141,188</u>	<u>\$ 3,661</u>
<b>Reconciliation of operating (loss) to net cash (used) by operating activities</b>				
Operating income (loss)	\$ (4,725)	\$ (409)	\$ (244,632)	\$ (3,285)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Depreciation	4,725	-	43,411	-
(Increase) decrease in receivables	-	-	-	2,077
(Increase) decrease in prepaids/inventory	-	533	365	(452)
(Increase) decrease in due from other funds	-	-	100,285	-
(Increase) decrease in due from other governments	-	-	-	-
Increase (decrease) in accounts payable	-	-	(104,262)	-
Increase (decrease) in accrued liabilities	-	-	-	-
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ -0-</b></u>	<u><b>\$ 124</b></u>	<u><b>\$ (204,833)</b></u>	<u><b>\$ (1,660)</b></u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 238,194 (186,633) (777) (2,638)	\$ 33,300 (24,800) - -	\$ 128,085 43,123 (1,221,073) -	\$ - - (27,918) (20,381)	\$ 56,251 12,749 (141,407) -	\$ 55,221 1,599 (278,236) (6,384)	\$ 687,262 (536,542) (1,669,411) (29,403)
48,146	8,500	(1,049,865)	(48,299)	(72,407)	(227,800)	(1,548,094)
6,952 (43,360)	144,320 -	1,049,130 -	30,000 -	79,448 -	273,094 -	1,823,928 (43,360)
(36,408)	144,320	1,049,130	30,000	79,448	273,094	1,780,568
- (19,595) (29,001)	6,475 (81,208) (79,854)	- - -	- - -	- - -	- - -	6,475 (100,803) (140,279)
(48,596)	(154,587)	-0-	-0-	-0-	-0-	(234,607)
(36,858)	(1,767)	(735)	(18,299)	7,041	45,294	(2,133)
81,735	15,291	34,570	46,284	10,232	77,031	412,466
\$ 44,877	\$ 13,524	\$ 33,835	\$ 27,985	\$ 17,273	\$ 122,325	\$ 410,333
\$ 21,549	\$ (79,688)	\$ (1,098,338)	\$ (27,918)	\$ (72,005)	\$ (221,258)	\$ (1,730,709)
27,932 2,089 - - (3,466) 30 12	88,219 - - - - (31) -	- 5,350 16,596 - - 26,527 -	- - - - - - (20,381)	- (13,151) - - - 12,749 -	- (1,757) (1,320) - - - 2,919 (6,384)	164,287 (5,392) 15,722 100,285 (3,466) (62,068) (26,753)
\$ 48,146	\$ 8,500	\$ (1,049,865)	\$ (48,299)	\$ (72,407)	\$ (227,800)	\$ (1,548,094)

Sanilac County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2007

	Agency Funds			Total
	Trust and Agency	Library Fund (Penal Fines)	Circuit Court Orders	
ASSETS				
Cash and cash equivalents	\$ 222,193	\$ 99,251	\$ -	\$ 321,444
Investments	-	-	2,004	2,004
Accounts receivable	100	-	-	100
Due from other funds	139,337	-	-	139,337
<b>TOTAL ASSETS</b>	<b>\$ 361,630</b>	<b>\$ 99,251</b>	<b>\$ 2,004</b>	<b>\$ 462,885</b>
LIABILITIES				
Undistributed collections	\$ 156,203	\$ -	\$ -	\$ 156,203
Due to other funds	1,413	-	-	1,413
Due to other governmental units	204,070	-	-	204,070
Due to individuals and agencies	(56)	99,251	2,004	101,199
<b>TOTAL LIABILITIES</b>	<b>\$ 361,630</b>	<b>\$ 99,251</b>	<b>\$ 2,004</b>	<b>\$ 462,885</b>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2007

	Debt Service		
	Turtle Creek Const./Maint.	Turtle Creek	White Rock
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Special assessments receivable	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from primary government	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	-0-	-0-	-0-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Debt Service			Capital Project			
Duff & Branches	Regular Drains	Stone Drain	Regular Drains	Revolving Drains	Maintenance Revolving	White Rock Const/Maint
\$ 542,837	\$ 95,780	\$ 120,145	\$ 1,559,708	\$ 53,658	\$ 111,277	\$ -
1,268,935	1,083,114	573,805	122,925	-	-	-
928	-	-	-	-	-	-
-	-	-	-	68,881	-	-
63,533	88,606	11,732	35,901	-	-	-
<u>\$ 1,876,233</u>	<u>\$1,267,500</u>	<u>\$ 705,682</u>	<u>\$ 1,718,534</u>	<u>\$ 122,539</u>	<u>\$ 111,277</u>	<u>\$ -0-</u>
\$ -	\$ 9,000	\$ -	\$ 68,881	\$ -	\$ -	\$ -
1,165,287	817,187	535,744	26,085	-	-	-
-	-	-	-	122,539	-	-
150	-	125	-	-	-	-
1,165,437	826,187	535,869	94,966	122,539	-0-	-0-
710,796	441,313	169,813	-	-	-	-
-	-	-	1,623,568	-	111,277	-
710,796	441,313	169,813	1,623,568	-0-	111,277	-0-
<u>\$ 1,876,233</u>	<u>\$1,267,500</u>	<u>\$ 705,682</u>	<u>\$ 1,718,534</u>	<u>\$ 122,539</u>	<u>\$ 111,277</u>	<u>\$ -0-</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2007

	Capital Project		
	Duff & Brs Const/Maint	Stone Drain	Total
ASSETS			
Cash and cash equivalents	\$ 372,444	\$ 36,076	\$ 2,891,925
Special assessments receivable	-	-	3,048,779
Accounts receivable	-	-	928
Due from other funds	9,000	-	77,881
Due from primary government	-	-	199,772
TOTAL ASSETS	<u>\$ 381,444</u>	<u>\$ 36,076</u>	<u>\$ 6,219,285</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ 77,881
Deferred revenue	-	-	2,544,303
Advances from primary government	-	-	122,539
Accounts payable	-	-	275
TOTAL LIABILITIES	-0-	-0-	2,744,998
FUND BALANCES			
Reserved for debt service	-	-	1,321,922
Unreserved			
Designated for capital expenditures	<u>381,444</u>	<u>36,076</u>	<u>2,152,365</u>
TOTAL FUND BALANCES	<u>381,444</u>	<u>36,076</u>	<u>3,474,287</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 381,444</u>	<u>\$ 36,076</u>	<u>\$ 6,219,285</u>



Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2007

**Total fund balance - governmental funds** \$ 3,474,287

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	25,008,734
Accumulated depreciation is	<u>(11,866,656)</u>

Capital assets, net	13,142,078
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Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue	2,544,303
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds, notes and loans payable	<u>(2,933,024)</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 16,227,644</u></u>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

	Debt Service		
	Turtle Creek Const./Maint.	Turtle Creek	White Rock
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	15,702
Interest	1,728	1,504	417
Other	-	-	-
TOTAL REVENUES	1,728	1,504	16,119
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	56,000	-	51,000
Interest and fees	1,435	-	2,678
TOTAL EXPENDITURES	57,435	-0-	53,678
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,707)	1,504	(37,559)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	57,360	525
Operating transfers out	(57,360)	(114,323)	-
TOTAL OTHER FINANCING SOURCES (USES)	(57,360)	(56,963)	525
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(113,067)	(55,459)	(37,034)
Fund balances, beginning of year	113,067	55,459	37,034
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

Debt Service			Capital Project			
Duff & Branches	Regular Drains	Stone Drain	Regular Drains	Revolving Drains	Maintenance Revolving	White Rock Const/Maint
\$ -	\$ -	\$ -	\$ 20,213	\$ -	\$ -	\$ -
-	20,213	-	75,981	-	47,359	-
161,869	381,213	64,297	155,764	-	-	-
67,934	42,981	25,035	73,107	-	5,392	1,395
-	-	-	-	-	-	-
229,803	444,407	89,332	325,065	-0-	52,751	1,395
63	-	-	480,937	-	127,108	-
165,000	229,579	60,000	-	-	-	-
60,800	44,871	22,988	-	-	-	-
225,863	274,450	82,988	480,937	-0-	127,108	-0-
3,940	169,957	6,344	(155,872)	-0-	(74,357)	1,395
-	-	-	263,000	-	-	-
-	42	-	237,304	-	78,436	-
-	(70,889)	-	(79,060)	-	(41,256)	(52,827)
-0-	(70,847)	-0-	421,244	-0-	37,180	(52,827)
3,940	99,110	6,344	265,372	-0-	(37,177)	(51,432)
706,856	342,203	163,469	1,358,196	-0-	148,454	51,432
\$ 710,796	\$ 441,313	\$ 169,813	\$ 1,623,568	\$ -0-	\$111,277	\$ -0-

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2007

	Capital Project		
	Duff & Brs Const/Maint	Stone Drain	Total
REVENUES			
Intergovernmental	\$ 6,500	\$ -	\$ 26,713
Charges for services	-	-	143,553
Special assessments	-	-	778,845
Interest	17,714	1,568	238,775
Other	-	525	525
TOTAL REVENUES	24,214	2,093	1,188,411
EXPENDITURES			
Capital outlay	2,340	2,034	612,482
Debt service			
Principal redemption	-	-	561,579
Interest and fees	-	-	132,772
TOTAL EXPENDITURES	2,340	2,034	1,306,833
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,874	59	(118,422)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	263,000
Operating transfers in	-	1,509	375,176
Operating transfers out	(717)	-	(416,432)
TOTAL OTHER FINANCING SOURCES (USES)	(717)	1,509	221,744
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	21,157	1,568	103,322
Fund balances, beginning of year	360,287	34,508	3,370,965
Fund balances, end of year	\$ 381,444	\$ 36,076	\$ 3,474,287

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2007

**Net change in fund balances - total governmental funds** \$ 103,322

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	383,500	
Depreciation expense	<u>(833,824)</u>	
Excess of depreciation expense over capital outlay		(450,324)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Decrease in deferred revenue	(445,688)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(263,000)	
Bond and note principal retirement	<u>561,579</u>	
		<u>298,579</u>

**Change in net assets of governmental activities** \$ (494,111)

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2007

	Debt Service		
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 1,365
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ -	\$ -
FUND BALANCES			
Fund balances			
Reserved for debt service	-	-	1,365
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>-0-</u>	<u>1,365</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,365</u>

Debt Service				Capital Project
Carsonville Arsenic	Lex. Worth Water Project	Sanilac Township Water	Brown City Arsenic	Brown City Water Tower
\$ -	\$ 169	\$ -	\$ -	\$ 11,682
-	-	-	-	-
<u>\$ -0-</u>	<u>\$ 169</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,682</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	169	-	-	-
-	-	-	-	11,682
<u>-0-</u>	<u>169</u>	<u>-0-</u>	<u>-0-</u>	<u>11,682</u>
<u>\$ -0-</u>	<u>\$ 169</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,682</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS - CONTINUED

December 31, 2007

	Capital Project		
	Carsonville Water	Worth Phase II Water System	Carsonville Arsenic
ASSETS			
Cash and cash equivalents	\$ 1	\$ 5,930	\$ -
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ 5,930</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ -	\$ -
FUND BALANCES			
Fund balances			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	<u>1</u>	<u>5,930</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1</u>	<u>5,930</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1</u>	<u>\$ 5,930</u>	<u>\$ -0-</u>



Capital Project

<u>Sanilac Township Water</u>	<u>Brown City Arsenic</u>	<u>Total</u>
\$ -	\$ 117,384	\$ 136,531
95,102	-	95,102
<u>\$ 95,102</u>	<u>\$ 117,384</u>	<u>\$ 231,633</u>
\$ 95,102	\$ 19,371	\$ 114,473
-	-	1,534
<u>-</u>	<u>98,013</u>	<u>115,626</u>
<u>-0-</u>	<u>98,013</u>	<u>117,160</u>
<u>\$ 95,102</u>	<u>\$ 117,384</u>	<u>\$ 231,633</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2007

<b>Total fund balance - governmental funds</b>	<b>\$ 117,160</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable	18,294,597
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Water system bond obligations	<u>(18,294,597)</u>
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<b>Net assets of governmental activities</b>	<b><u>\$ 117,160</u></b>
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Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

	Debt Service			
	Brown City Water Tower	Carsonville Water	Worth Phase II Water System	Carsonville Arsenic
REVENUES				
Intergovernmental	\$ 22,148	\$ 46,303	\$ 853,616	\$ 28,463
Interest	-	-	-	-
TOTAL REVENUES	22,148	46,303	853,616	28,463
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal redemption	20,000	25,000	475,000	15,000
Interest and fiscal charges	3,960	21,303	378,616	13,463
Capital Outlay				
Construction	-	-	-	-
TOTAL EXPENDITURES	23,960	46,303	853,616	28,463
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,812)	-0-	-0-	-0-
OTHER FINANCING SOURCES				
Transfer in	1,812	-	-	-
Transfer out	-	-	-	-
Proceeds of loan	-	-	-	-
TOTAL OTHER FINANCING SOURCES	1,812	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	1,365	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ 1,365	\$ -0-

Debt Service			Capital Project
Lex, Worth Water Project	Sanilac Township Water	Brown City Arsenic	Brown City Water Tower
\$ 86,125	\$ 144,905	\$ 12,213	\$ -
-	-	-	611
86,125	144,905	12,213	611
-	-	-	-
50,000	-	-	-
36,125	144,905	12,213	-
-	-	-	-
86,125	144,905	12,213	-0-
-0-	-0-	-0-	611
-	-	-	-
-	-	-	(1,812)
-	-	-	-
-0-	-0-	-0-	(1,812)
-0-	-0-	-0-	(1,201)
169	-	-	12,883
\$ 169	\$ -0-	\$ -0-	\$ 11,682

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BOARD OF PUBLIC WORKS - CONTINUED

Year Ended December 31, 2007

	Capital Project			
	Carsonville Water	Worth Phase II Water System	Carsonville Arsenic	Sanilac Township Water
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	-	260	-	-
TOTAL REVENUES	-0-	260	-0-	-0-
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal Redemption	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital Outlay				
Construction	-	-	-	2,172,623
TOTAL EXPENDITURES	-0-	-0-	-0-	2,172,623
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	260	-0-	(2,172,623)
OTHER FINANCING SOURCES				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Proceeds of loan	-	-	-	2,172,623
TOTAL OTHER FINANCING SOURCES	-0-	-0-	-0-	2,172,623
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	260	-0-	-0-
Fund balances, beginning of year	1	5,670	-	-
Fund balances, end of year	<u>\$ 1</u>	<u>\$ 5,930</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Capital Project</u>	
<u>Brown City Arsenic</u>	<u>Total</u>
\$ -	\$ 1,193,773
11,686	12,557
11,686	1,206,330
-	-
-	585,000
-	610,585
613,673	2,786,296
613,673	3,981,881
(601,987)	(2,775,551)
-	1,812
-	(1,812)
700,000	2,872,623
700,000	2,872,623
98,013	97,072
-	20,088
<u>\$ 98,013</u>	<u>\$ 117,160</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2007

**Net change in fund balances - total governmental funds** \$ 97,072

Amounts reported for governmental activities in the statement of activities are different because:

Construction of the water systems on behalf of the municipalities are reported as expenditures in the governmental funds, but these payments increases the lease receivable in the statement of net assets.

Payments made on the lease receivable is reported as revenue in governmental funds, but the payments reduces the lease receivable in the statement of net assets. In the current year, these amounts consist of:

Lease revenue	2,872,623	
Lease payments	<u>(1,193,773)</u>	1,678,850

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(2,872,623)	
Bond principal retirement	<u>585,000</u>	<u>(2,287,623)</u>

**Change in net assets of governmental activities** \$ (511,701)

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ROAD COMMISSION

December 31, 2007

ASSETS

Cash and cash equivalents	\$ 1,483,175
Accounts receivable	8,135
Due from other governmental units	
State of Michigan	1,010,552
Local	247,459
Prepaid expenditures	35,390
Inventory	245,930
	<hr/>
TOTAL ASSETS	\$ 3,030,641
	<hr/>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 260,763
Accrued liabilities	70,561
Performance bond payable	5,000
Advances from other governmental units	
State of Michigan	215,919
	<hr/>
TOTAL LIABILITIES	552,243

FUND BALANCES

Fund balances	
Reserved for inventory	245,930
Reserved for prepaids	35,390
Unreserved - undesignated	2,197,078
	<hr/>
TOTAL FUND BALANCE	2,478,398
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,030,641
	<hr/>



Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - ROAD COMMISSION

December 31, 2007

**Total fund balance - governmental fund** **\$ 2,478,398**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	76,376,745	
Accumulated depreciation is	<u>(30,823,765)</u>	
Capital assets, net		45,552,980

Long-term liabilities are not due and payable in the current period and therefore  
are not reported in the governmental fund balance sheet. Long-term  
liabilities are year end consist of:

Leases payable	(986,717)	
Accrued interest payable	(10,215)	
Compensated absences	<u>(303,874)</u>	<u>(1,300,806)</u>

**Net assets of governmental activities** **\$ 46,730,572**

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ROAD COMMISSION

Year Ended December 31, 2007

REVENUES	
Taxes	\$ 1,955,465
Licenses and permits	21,260
Intergovernmental	8,755,919
Charges for services	1,916,144
Interest and rents	149,742
Other	<u>45,190</u>
TOTAL REVENUES	12,843,720
EXPENDITURES	
Current	
Primary Road	6,107,674
Local Road	4,417,592
State Truckline	1,898,327
Equipment - net	126,068
Administrative - net	292,318
Capital outlay	154,131
Debt service	<u>247,710</u>
TOTAL EXPENDITURES	<u>13,243,820</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(400,100)
OTHER FINANCING SOURCES	
Capital leases	<u>825,092</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	424,992
Fund balances, beginning of year	<u>2,053,406</u>
Fund balances, end of year	<u>\$ 2,478,398</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES - ROAD COMMISSION

Year Ended December 31, 2007

**Net change in fund balance - governmental fund** \$ 424,992

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	3,524,937	
Depreciation expense	(627,493)	
Infrastructure depreciation	<u>(2,771,642)</u>	
Excess of capital outlay over depreciation expense		125,802

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold. (10,223)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Lease proceeds	(825,092)	
Capital lease payments	<u>232,412</u>	(592,680)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	(8,767)	
Decrease in accrued compensated absences	<u>86,684</u>	
		<u>77,917</u>

**Change in net assets of governmental activities** \$ 25,808

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Sanilac County  
Sandusky, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control over financial reporting, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the following deficiency to be a significant deficiency in internal control over financial reporting.

2007-1 SEGREGATION OF DUTIES

Condition: Due to the limitation on the number of staff that are available to perform functions related to processing of accounts payable and payroll, the segregation of duties within these accounting functions is not adequate. The Accounts Payable clerk is responsible for receiving invoices from departments, entering and processing invoices in the accounting system, and also processing checks (including machine check signatures). The Payroll Clerk is responsible for entering pay rate and other master file information, entering and processing of timesheet and other payroll information, and also processing checks (including machine check signatures).

## 2007-1 SEGREGATION OF DUTIES - CONTINUED

Criteria: Sound internal control practices would require that duties within each significant accounting function be segregated so that no one individual has the capability to process an entire accounting transaction.

Effect: Due to the lack of segregation of duties, the risk of material misstatement of financial information related to these accounting functions is increased.

Recommendation: We recommend the County review segregation of duties in these accounting areas to determine if any additional segregation can be achieved. Another option would be to review mitigating control procedures and to improve those procedures (i.e., review/accounting for all check numbers by independent person, periodic review of payroll master file data, etc.).

Corrective Action Response: The County is currently working to prepare a corrective action response related to this issue.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We do not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

## 2007-2 BUDGETS

Condition: As indicated in Note M of the notes to the financial statements, some of the expenditures of the County significantly exceeded the amounts appropriated. The significant variances noted were in the Health Department Fund. Although a portion of this overage was due to an audit entry recording the gross activity related to Federal vaccines, there still remained a significant overage.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County Health Department has not maintained adequate control over budgetary compliance in accordance with State law.

Recommendation: We recommend the County Health Department monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The Administration and Health departments are currently working to prepare corrective action responses related to this issue.

## 2007-3 FUND DEFICITS

Condition: As indicated in Note P of the notes to the financial statements, the County Health Department Fund funds of the County ended the year with unreserved fund deficits. A deficit was noted in the Health Department Fund. Fund deficits were present in the County's December 31, 2006 audit and were noted in the management letter to the Board of Commissioners, which were both dated May 26, 2006.

Criteria: State law requires that no funds end the year in a deficit. If any deficits exist at year end, a deficit elimination plan must be created and filed with the State of Michigan Department of Treasury.

2007-3 FUND DEFICITS - CONTINUED

Effect: Due to economic conditions and/or services in excess of what can reasonably be provided given budgetary restrictions, the County has one (1) fund in a deficit at year end.

Recommendation: We recommend the County Health department review fund activity near year end and make the appropriate adjustments when possible. The County should also closely monitor the operations of all fund activities that are in danger of ending the year in deficit.

Corrective Action Response: The Health department is currently working to prepare corrective action responses related to this issue.

The County's responses to the findings identified in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management and the Board of Commissioners of Sanilac County in a separate letter dated June 20, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners of Sanilac County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2008

**Sanilac County, Michigan**

**SUPPLEMENTARY INFORMATION TO  
FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**December 31, 2007**

Sanilac County, Michigan

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

Compliance

We have audited the compliance of Sanilac County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to the major Federal programs for the year ended December 31, 2007. Sanilac County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs are the responsibility of Sanilac County's management. Our responsibility is to express an opinion on Sanilac County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Sanilac County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sanilac County's compliance with those requirements.

In our opinion, Sanilac County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending December 31, 2007.

Internal Control Over Compliance

The management of Sanilac County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Sanilac County's internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Sanilac County, the pass-through grantors, and the U.S. Departments of Health and Human Services, Homeland Security, Housing and Urban Development and Agriculture, and the Environmental Protection Agency and is not intended to be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2008

## Sanilac County, Michigan

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program (State's Program) 05/07 Housing Program (County)	14.228	MSC-2005-0813-HOA	\$ 78,347
U.S. DEPARTMENT OF HOMELAND SECURITY Passed through Michigan Department of State Police Emergency Management Performance Program	97.042	N/A	16,987
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Department of Community Health Family Planning Services	93.217	05H000173	64,299
Childhood Immunization Grants	93.268	H23 CCH522556	
IAP			17,347
VFC Provider Site Visits <sup>(a)</sup>			2,200
AFIX Visits <sup>(a)</sup>			500
Vaccines <sup>(e)</sup>			<u>247,305</u>
			267,352
Centers for Disease Control - Prevention Investigating Technical Assistance Bioterrorism Focus A Pandemic Flu	93.283	CCU517018	
			141,268
			<u>51,049</u>
			192,317
Medical Assistance Program Case Management Services Plan of Care Telephone Plan of Care Level II <sup>(a)</sup>	93.778	5XX05MI5048	
			14,984
			10,000
			<u>1,200</u>
			26,184
HIV Prevention Act Health Department Based AID/HIV Prevention Counseling and Testing <sup>(a)</sup>	93.940	U62-CCU523464	9
Maternal and Child Health Services Block Grant Family Planning Local MCH Case Management	93.994	B1MIMCHS	
			13,025
			34,151
			<u>10,259</u>
			57,435

Sanilac County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED</b>			
Passed through Michigan Family Independence Agency			
Child Support Enforcement (Title IV-D) <sup>(d)</sup>	93.563		
Cooperative Reimbursement - Friend of the Court <sup>(b)</sup>			
06/07		CS/FOC-07-76001	\$ 233,587
07/08		CS/FOC-08-76001	69,804
Cooperative Reimbursement - Prosecuting Attorney <sup>(b)</sup>			
06/07		CS/PA-07-76002	38,391
07/08		CS/PA-08-76002	13,798
Incentive Payments <sup>(c)</sup>			
2007 Regular		N/A	<u>80,919</u>
			436,499
Promoting Safe and Stable Families	93.556		
Strong Families/Safe Children (County)		N/A	30,910
Strong Families/Safe Children - (Health Department)		N/A	<u>61,344</u>
			<u>92,254</u>
			1,136,349
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through State Department of Community Health			
Special Supplemental Nutrition Program			
For Women, Infants and Children (WIC)	10.557		
Regular		XX4W1006	147,951
Special Supplemental		2007W1011	<u>500</u>
			148,451
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through State Department			
of Environmental Quality			
State Grants to Reimburse Operators of Small			
Water Systems for Training and Certification Costs	66.471	N/A	
Operator Training Certification Program			<u>2,200</u>
Beach Monitoring and Notification Program			
Implementation Grants	66.472	N/A	
Beach Monitoring and Notification Grant Program			<u>5,290</u>
Capitalization Grants for Drinking			
Water State Revolving Funds <sup>(d)</sup>	66.468		
Sanilac Township Water		7153-01	<u>893,205</u>
			<u>900,695</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 2,280,829</u></b>

Sanilac County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2007

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Sanilac County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements that are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a)-(e) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) The reimbursements for these programs are on a fixed unit rate basis. Expenditures have been reported to the extent of earned revenues.
- (b) Reimbursements of these contracts are passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (d) Denotes programs tested as "major programs".
- (e) The reported federal expenditures for this program represent the fair market value of vaccines received during this year from the Federal government. Unexpended inventory amounts are not considered to be material.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the December 31, 2006, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
CRP - Prosecuting Attorney	\$ 52,189	\$ -	\$ -	\$ 52,189
Emergency Management Grants	16,987	-	-	16,987
MHSDA Grant	78,347	-	-	78,347
Other Programs	<u>555,435</u>	<u>555,435</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	702,958	555,435	-0-	147,523

Sanilac County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

December 31, 2007

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED				
OTHER GOVERNMENTAL FUNDS				
Friend of the Court	\$ 389,294	\$ 4,984	\$ -	\$ 384,310
Strong Families Project Fund	30,910	-	-	30,910
Health Department Fund	1,401,062	576,181	-	824,881
Other Programs	<u>1,787,973</u>	<u>1,787,973</u>	<u>-</u>	<u>-0-</u>
TOTAL OTHER GOVERNMENTAL FUNDS	<u>3,609,239</u>	<u>2,369,138</u>	<u>-0-</u>	<u>1,240,101</u>
TOTAL PRIMARY GOVERNMENT	4,312,197	2,924,573	-0-	1,387,624
COMPONENT UNIT FUNDS				
Board of Public Works	1,193,773	1,193,773	893,205 <sup>(2)</sup>	893,205
Road Commission	<u>8,755,919</u>	<u>7,515,723</u>	<u>( 1,240,196 ) <sup>(1)</sup></u>	<u>-0-</u>
TOTAL COMPONENT UNIT FUNDS	<u>9,949,692</u>	<u>8,709,496</u>	<u>( 346,991 )</u>	<u>893,205</u>
	<u>\$14,261,889</u>	<u>\$11,634,069</u>	<u>\$( 346,991 )</u>	<u>\$ 2,280,829</u>

Following is a summary of the adjustment in the above schedule:

- (1) The total adjustment (\$1,240,196) in Federal funds represents the Department of Transportation Federal Highway grant money expended on public road improvement projects under Federal Urban and Rural Programs for the Sanilac County Road Commission. All of these federal awards were expended on projects where work was administered by the Michigan Department of Transportation; therefore, the single audit on these funds is covered with the State single audit. All of these funds have been excluded from the County's Single Audit.
- (2) The total adjustment of \$893,205 in Federal funds represents the portion of loan proceeds received by the Board of Public Works that are capitalized with Federal funds and thus must be reported as Federal financial assistance.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Sanilac County  
Sandusky, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency #2007-1 listed in the attached Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two (2) instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are listed as #2007-2 and #2007-3 and described in the attached Schedule of Findings.

The County's responses to the findings identified in our audit are described in the attached Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management and the Board of Commissioners of Sanilac County in a separate letter dated June 20, 2008.

This report is intended solely for the information and use of management, the Board of Commissioners of Sanilac County, others within the County, the pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2008



SCHEDULE OF FINDINGS

For the Year Ended December 31, 2007

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There was one (1) significant deficiency in internal controls noted by the audit of the basic financial statements. We noted two (2) instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no significant deficiencies related to internal controls or compliance related to the major programs tested. The major programs tested to cover 25 percent of the total Federal expenditures was the Capitalization Grants for Drinking Water State Revolving Funds (CFDA 66.468) and Child Support Enforcement Program (Title IV-D)(CFDA 93.563). Total Federal expenditures for the year ended December 31, 2007, for the major programs were \$1,329,704, which is approximately 58 percent of total Federal expenditures. The County qualified as a low-risk auditee.

The County had two (2) Type A programs, the Capitalization Grants for Drinking Water State Revolving Funds (CFDA 66.468) and the Child Support Enforcement Program (Title IVD) (CFDA 93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Significant Deficiencies Related to Internal Control Over the Basic Financial Statements.

2007-1 SEGREGATION OF DUTIES

Condition: Due to the limitation on the number of staff that are available to perform functions related to processing of accounts payable and payroll, the segregation of duties within these accounting functions is not adequate. The Accounts Payable clerk is responsible for receiving invoices from departments, entering and processing invoices in the accounting system, and also processing checks (including machine check signatures). The Payroll Clerk is responsible for entering pay rate and other master file information, entering and processing of timesheet and other payroll information, and also processing checks (including machine check signatures).

Criteria: Sound internal control practices would require that duties within each significant accounting function be segregated so that no one individual has the capability to process an entire accounting transaction.

Effect: Due to the lack of segregation of duties, the risk of material misstatement of financial information related to these accounting functions is increased.

Recommendation: We recommend the County review segregation of duties in these accounting areas to determine if any additional segregation can be achieved. Another option would be to review mitigating control procedures and to improve those procedures (i.e., review/accounting for all check numbers by independent person, periodic review of payroll master file data, etc.).

Corrective Action Response: The County is currently working to prepare a corrective action response related to this issue.

SCHEDULE OF FINDINGS - CONTINUED

For the Year Ended December 31, 2007

FINDINGS/NONCOMPLIANCE - CONTINUED

Findings Related to Compliance with Requirements Applicable to the General Purpose Financial Statements

2007-2 BUDGETS

Condition: As indicated in Note M of the notes to the financial statements, some of the expenditures of the County significantly exceeded the amounts appropriated. The significant variances noted were in the Health Department Fund. Although a portion of this overage was due to an audit entry recording the gross activity related to Federal vaccines, there still remained a significant overage.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County Health Department has not maintained adequate control over budgetary compliance in accordance with State law.

Recommendation: We recommend the County Health Department monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The Administration and Health departments are currently working to prepare corrective action responses related to this issue.

2007-3 FUND DEFICITS

Condition: As indicated in Note P of the notes to the financial statements, the County Health Department Fund funds of the County ended the year with unreserved fund deficits. A deficit was noted in the Health Department Fund. Fund deficits were present in the County's December 31, 2006 audit and were noted in the management letter to the Board of Commissioners, which were both dated May 26, 2006.

Criteria: State law requires that no funds end the year in a deficit. If any deficits exist at year end, a deficit elimination plan must be created and filed with the State of Michigan Department of Treasury.

Effect: Due to economic conditions and/or services in excess of what can reasonably be provided given budgetary restrictions, the County has one (1) fund in a deficit at year end.

Recommendation: We recommend the County Health department review fund activity near year end and make the appropriate adjustments when possible. The County should also closely monitor the operations of all fund activities that are in danger of ending the year in deficit.

Corrective Action Response: The Health department is currently working to prepare corrective action responses related to this issue.

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2007

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the General Purpose Financial Statements.

2006-1 BANK RECONCILIATIONS FOR THE INMATE TRUST ACCOUNT

Condition: The Sheriff department's inmate trust account does not reconcile to county records.

Criteria: These errors were detected but were not corrected due to there being no qualified personnel present in the Sheriff department to complete the bank reconciliation. There also appears to have been issues with the old accounting software the department used, which was replaced during the audited period. While the new software has successfully reconciled the new balances in the account, old balances continue to keep the account from balancing to County records.

Effect: Support for the inmate trust's cash balances on the trial balance was not present for the audit period ending December 31, 2006. This account was not reconciled in last year's audit and was noted in the management letter to the Board of Commissioners, dated May 26, 2006.

Recommendation: We recommend the County review procedures in the areas where these errors were noted and take steps to ensure that there is no recurrence of similar issues.

Corrective Action Response: The Sheriff department is currently working to prepare a corrective action response related to this issue.

Current Status: The Sheriff department in conjunction with the County Treasurer's office has revised procedures and now is reconciling this account on a timely basis.

2006-2 BANK RECONCILIATIONS FOR THE HEALTH DEPARTMENT

Condition: The Health department County pooled cash and payables account balances did not reconcile to the general ledger. Upon further analysis working with the new Finance Director, we identified the most significant differences and made audit adjusting entries to correct the balances.

Criteria: All County departments should reconcile with the County's pooled cash account on a monthly basis.

Effect: By not reconciling the County's pooled cash to the Health department's general ledger, the Health department cannot know the exact amount of funds on hand with which they can provide services. This impairs the Health department's ability to provide the most efficient level of services and also creates an internal control weakness.

Recommendation: We recommend the Health department review procedures related to the reconciliation of cash balances to assure that all bank balances are reconciled to the general ledger on a monthly basis.

Corrective Action Response: The Health department is currently working to prepare a corrective action response related to this issue.

Current Status: The Health department is now reconciling all bank accounts on a monthly basis.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

For the Year Ended December 31, 2007

Findings Related to Compliance with Requirements Applicable to the General Purpose Financial Statements.

2006-3 BUDGETS

Condition: As indicated in Note M of the notes to the financial statements, some of the activities and funds of the County exceeded the amounts appropriated. The variances noted were in the General and Health Department Funds.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The County has not maintained adequate control over budgetary compliance in accordance with State law in the certain funds where the overages occurred.

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: The Administration and Health departments are currently working to prepare corrective action responses related to this issue.

Current Status: For the year ended December 31, 2007, both the General Fund and Health Department Fund still had expenditures that exceeded budgeted amounts. This issue is repeated as a current year finding.

2006-4 FUND DEFICITS

Condition: As indicated in Note P of the notes to the financial statements, some of the funds of the County ended the year with unreserved fund deficits. Deficits were noted in the Health Department and Economic Development Corporation funds. Fund deficits were present in the County's December 31, 2005 audit and were noted in the management letter to the Board of Commissioners, which were both dated May 26, 2006.

Criteria: State law requires that no funds end the year in a deficit. If any deficits exist at year end, a deficit elimination plan must be created and filed with the State of Michigan Department of Treasury.

Effect: Due to economic conditions and/or services in excess of what can reasonably be provided given budgetary restrictions, the County has two (2) funds in deficit at year end.

Recommendation: We recommend the County review all funds near year end and make the appropriate adjustments when possible. The County should also closely monitor the operations of all fund activities that are in danger of ending the year in deficit.

Corrective Action Response: The Economic Development and Health departments are currently working to prepare corrective action responses related to this issue.

Current Status: For the year ended December 31, 2007, the Health Department Fund still ended the year in a deficit position. This issue is repeated as a current year finding.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings noted.

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**MANAGEMENT LETTER**

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Sanilac County, Michigan for the year ended December 31, 2007. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should review procedures related to approval and financing of equipment purchases.

During our analysis of debt transactions, it came to our attention that in 2004 the Sheriff department had entered into a financing agreement with a kitchen equipment vendor to purchase approximately \$44,000 in kitchen equipment and to finance this cost. However, we were not able to locate documentation to support that the County Board had approved this purchase and related financing.

We recommend the County review and revise procedures (if necessary) to assure that all purchases and borrowing is approved by the County Board.

2. The County should obtain additional clarification on the ultimate responsibility for payment of the Economic Development Corporation (EDC) line of credit debt.

In 2007 the Sanilac Economic Alliance was formed which is an organization that is separate from the County. The County management indicated that the intent was to transfer all assets and liabilities of the EDC to this new organization, which included a line of credit with an outstanding balance of approximately \$191,000 at January 1, 2007. However, it appears that although the new organization assumed the normal assets and liabilities of the EDC and has made interest payments related to the line of credit, it could not assume the line of credit obligation due to their type of organization (i.e. nonprofit status). The EDC is still considered to be a viable organization that can be utilized in the future if the need arises, and therefore it appears that the line of credit liability could still be considered the responsibility of the EDC.

During our review of documentation forming the Sanilac Economic Alliance and other related documentation, it is not clear as to whether the County or EDC board had formally approved transferring assets and liabilities to the new organization. It is also unclear as to which organization has ultimate responsibility for payment of the line of credit liability should the Sanilac Economic Alliance not pay that debt. We have disclosed a contingent liability within the notes to the County financial statements related to this debt.

We recommend the County review documentation and obtain additional clarification on whether the County and EDC could be held responsible for payment of this line of credit debt.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated June 20, 2008.

This report is intended solely for the use of management and the Board of Commissioners of Sanilac County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2008